CHURCH FINANCING BY FINANCIAL INSTITUTIONS IN THE UNITED STATES, 1946-1952

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CHAPTER I

THE DEVELOPMENT OF THE FINANCING OF CHURCH BUILDING EXPANSION

Introduction

Churches in the United States have made extensive use of loans from lending institutions during the past thirty years to help finance the construction of new or enlarged church buildings. This type of financing has also been used in a minor way to assist in the repair of church property. Such a practice is probably the result of two conditions. First, speedier production methods make it possible for even relatively large church buildings to be erected within a period of months rather than years or decades. Second, the desire of church members to have a new or larger church building and to have it "now". Often, the time required to complete the construction of a church building is much shorter than that required by the members to secure the funds to pay for it. But this presents no insurmountable problem because the secular financial community has provided the means whereby many economic goods may be purchased now and paid for later. In other walks of life, the congregation has become accustomed to using goods while they pay for them. Thus, they see no reason why they need to wait until they have accumulated all of the necessary funds for a new church building when they can borrow a substantial part of the total construction costs from a lending

institution. Consequently, since 1920, hundreds of churches in the United States have moved into new edifices which were not completely paid for until later.

Many churches, which had borrowed money to pay for the expansion of buildings and equipment during the prosperous years of the 1920's, found that they were unable to meet the debt service on these obligations in the depression of the 1930's. Numbers of churches ultimately defaulted on their debts. This resulted in embarrassment for the churches and skepticism in financial circles toward this type of loan.

The first half of the twentieth century is not the only time that the expansion of church buildings has been affected by the prevailing construction and financing methods of the times. Naturally, churches through the ages have had no choice but to use the available methods of construction. But the sentiment has not always prevailed among church members that they must have a new or larger building and have it "now". Although churches, in general, have not sought assistance from secular financial institutions to help pay for their buildings, the past thirty years is not the only period in which they have borrowed money to erect buildings, nor is it the first time they have encountered financial difficulties as a result of over-expansion. Congregations have paid for expansion and repair programs in many ways. The development of church construction and financing methods which follows will present some of the most common procedures which have been used since 970 B.C.

As an early example of the financing of church building expansion, the construction of the Temple in Jerusalem may be cited. This was the first permanent structure used for a house of worship by the young nation of Israel. Its construction and financing are vital to an understanding of the development of the financing of church buildings throughout the ages, because persent-day Christianity had its beginnings in the religion of the Jewish nation of Israel.

The young Jewish nation used a tent (The Tabernacle) as a place of worship for about 480 years before King Solomon began construction of the Temple in Jerusalem in 977 B. C.[1] King David, Solomon's father, spent three years assembling money and materials for the Temple but did none of the actual construction.[2] During this period in history, machines to aid in construction were few and the process was long and arduous. Most of the work was done by hand labor. Thus, it was not surprising that King Solomon took another seven and one-half years and used at least 183,300 men for the completion of the building.[3]

Estimates on the current market price of the materials used in the construction of the Temple range upwards from two billion

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[1] I Kings 6:1.

[2] William Whiston, The Life and Works of Flavius Josephus (Philadelphia: The John C. Winston Company), p. 233.

[3] I Kings 6:1-37.

dollars.[1] Money to pay for the cost of construction and to provide furnishings for the Temple came from many sources. Voluntary contributions of gold, silver and precious stones were made by people throughout the Jewish nation.[2] A substantial contribution (more than four billion dollars in gold and silver) to the Temple building fund was made from the kingdom treasury. Another large amount was given by the king himself.

Although tremendous quantities of gold and silver had been accumulated for the Temple building fund, King Solomon secured the cedar and cypress needed for use in the edifice from neighboring King Hiram in exchange for a yearly payment of 160,000 bushels of wheat and 156,000 gallons of oil.[3]

During the early Christian Era, no financing of church buildings was required. The first Christians frequented the Temple at Jerusalem so long as their relation to the Mosaic economy allowed.[4] The first converts in many cities throughout the Roman world opened their dwellings for worship. Meetings were also held in ships, sepulchres, caves, deserts, streets and market places. That these early Christians erected special houses of worship is out of the question

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[1] Henry H. Halley, Pocket Bible Handbook (19th ed.; Chicago: Henry H. Halley, 1951), p. 202.

[2] I Chron. 22:14; 29:2-8.

[3] I Kings 5:11-12.

[4] Philip Schaff, History of the Christian Church (New York: Scribner, Armstrong & Co., 1858), p. 127.

because of their persecution by Jews and Gentiles and their general poverty.

As the number of Christians increased, larger rooms or edifices were required for their meetings. For a time they probably hired or erected plain rectangular buildings.[1] When these were no longer adequate, they constructed churches on the model of the Roman basilicas. In the time of Diocletion, there existed some stately church edifices. The record does not indicate the length of time required for the construction of these buildings nor the manner in which they were financed.

It is after Constantine's ascension that the era of church building on a magnificent scale really began.[2] Splendid basilicas were built in Jerusalem, Bethlehem and Constantinople. These were paid for by the Emperor himself. A few of the churches which he built received revenues from the public funds, while to others were given the treasures of the confiscated pagan temples. The emperors endeavored to promote the interest of Christianity by their personal influence and by giving to the Church and its clergy new legal rights.[3] The Church was made the heir of all clergymen who died without leaving wills. The right to receive legacies became a fruitful source of

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[1] George P. Fisher, History of the Christian Church (New York: Charles Scribner's Sons, 1887), p. 63.

[2] Ibid.

[3] Ibid., p. 100.

wealth. Ecclesiastical property rapidly accumulated.

As soon as Christianity became the religion of the rich and powerful and as the desire to oppose the splendor of pagan temples with the severe simplicity of Christian church buildings was less felt, the primitive aversion to art in worship began to fade away.[1] Churches of more imposing proportions and more costly furnishings began to be erected. The public buildings and pagan temples which were sometimes obtained through the munificence of the emperors were slightly remodelled for the uses of Christian worship.

European Development

The financing of new and larger church buildings took a turn in another direction in Europe. One is struck with the strong constrasts that present themselves in every province of medieeval life and lend to it a picturesque character. In the vicinity of the mighty cathedral whose spires rise above the tallest trees of the forest are the humble dwelling of the mechanic and the peasant's miserable hovel.[2] A multitude of abbeys, many of them so grand and spacious that their chapels were like cathedrals, arose in every part of Christendom.[3] In the erection of these sanctuaries, churches lavished their treasures,

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[1] *Ibid.*, pp. 116-117.

[2] *Ibid.*, p. 227.

[3] *Ibid.*, p. 236.

nobles offered their costly gifts, and the people of all classes combined in a common enthusiasm of sincere devotion. Everyone gave or did what he could to carry upward the walls and towers and to perfect with elaborate art the houses of worship.

France

The financing of the cathedrals of France also constitutes another integral part of the development of the financing of church buildings. In France, fifteen great cathedrals were built in and around the city of Paris during the twelfth and thirteenth centuries. They were built with infinite care for details and with exquisite art. It should be remembered that while they were wrought without our faster modern production processes and high tension financial drives, only half of the cathedrals in this group took the alleged three or four centuries to build.[1] The rest, including the four largest, took decades only; Amiens 68 years, Noyon 80, Laon 62, Chartres 45, Rheims 95, Sens 50 and Notre Dame at Paris 74. The cathedral in Beauvais was started in 1247 and never completely finished.

Whether the construction period for these cathedrals was decades or centuries, the length of time was still considerably longer than that generally used for the erection of church buildings during

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[1] Robert G. Anderson, Biography of a Cathedral (1st ed.; New York: Longmans, Green and Company, 1944), pp. 403-404.

the twentieth century in the United States. This longer construction period would naturally give the parishioners additional time in which to acquire funds to pay for the new buildings.

Every cathedral was the result of a gigantic united movement of clergy, nobles, paupers and guilds giving their all and actually harnessing themselves to carts.[1] Some of the wealthier members laid on the altar deeds to quarries and privileges to cut down forest for timber for the cathedral.[2] Since endowments or substantial gifts were beyond the means of a large number of people, the custom slowly developed of parishioners, whose daily life or business brought them together, associating themselves into guilds to make contributions to the building of places of worship. This new sense of solidarity among the workers, the guilds, assisted a great deal in these building operations.[3] This was not the first time a secular movement had helped advance the Church. In the first centuries Rome, even while persecuting the Christians, had organized a vast peace and a great system of communications and roads in which Christianity developed.

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[1] Ibid.

[2] Ibid., p. 431.

[3] Ibid., p. 413.

Italy

Reverence for the ancient church buildings of Italy was supplanted in the minds of religious leaders by the desire to rear edifices that might rival them.[1] One such building was St. Peter's Cathedral in Rome. The actual construction extended throughout the century. Although the conerstone was laid in 1506, the main part of the edifice was not consecrated until 1626.[2] The total cost of this structure has been placed at $50,000,000.

England

There is much obscurity surrounding the construction and financing of the first parochial churches in England. They were possibly the creation of some nobles or rich landlords who desired to secure the services of religion for the people dwelling upon their estates.[3]

By the early part of the twelfth century, it was definitely the fashion for wealthy landowners to establish new monasteries by the creation of endowments in lands and for the lesser gentry to give from their small properties to swell the riches of the

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[1] Fisher, op. cit., p. 236.

[2] "St. Peter's," New Standard Encyclopedia, Vol. IX.

[3] F. A. Gasquet, Parish Life in Mediaeval England, (5th ed.; London: Methuen & Company, 1922), pp. 21-22.

monasteries already created.[1] But such endowments were naturally beyond the means of a large number of people. Thus, the custom grew in England, parallel to that in France, of parishioners associating themselves into guilds for the purpose of building a church, or for the maintenance of a priest to say mass for them. They were able to provide in this manner what individually they were unable to afford.[2] For a hundred years after the Norman Conquest the religious enthusiasm which found expression in this practical manner was a rising tide. More than 500 new monasteries had been founded in England by 1200 A.D. Before the end of the century, however, the great era of monastic revival was past. During the reign of Henry III only 157 new houses of worship were established. After 1300 A.D. only a few new foundations saw the light.[3]

With so much wealth and so many sources of income, there would seem to be no excuse for the financial chaos in which so many of the religious houses of England were sunk during the thirteenth century. Almost everywhere we turn among monastic chronicles and records we are brought up against a picture of insolvency and of almost desperate remedies to get out of the toils of moneylenders.[4]

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[1] W. E. Lunt, History of England (New York: Harper & Brothers, 1928), p. 178.

[2] H. F. Westlake, Parish Gilds of Mediaeval England (New York: The Macmillan Company, 1919), p. 10.

[3] Lunt, loc. cit.

[4] John R. H. Moorman, Church Life in England in the Thirteenth Century (1st ed.; Cambridge: University Press, 1946), p. 302.

Jocelin's account is the most intimate and picturesque which we possess, but the more prosaic records tell the same story.[1] A large number of churches were in financial difficulty from 1231 to 1300. Debts ranged in amounts from 800 to 5,248 pounds. The monks of Christ Church, Canterbury, in spite of substantial amounts of property were over 2,500 pounds in debt in 1265, while at Rochester the debts were described as "inestimable". Gloucester and Peterborough each had a debt of 2,000 pounds about the middle of the century, while St. Mary's Abbey at York in 1300 owed no less than 6,666 pounds to the Earl of Lincoln. Even the small priory of Dover, a cell of Canterbury, ran up a debt of nearly 800 pounds.

The results of this appalling insolvency were sometimes disastrous. The time came when even the patience of the moneylenders could last no longer and monks and canons were reduced to the position of beggars, depending upon what charitable neighbors would give them.[2] The monks of Faversham were found to be practically starving in 1275, because they had exhausted their stores.

The causes of all this poverty and debt were many and not all of them were within the control of the monks themselves. Taxation and forced loans, civil disturbances and Scottish raids, floods and fires, bad harvests and murrain; all of these made great inroads on the resources of the monasteries. On the other hand, much

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[1] Ibid., pp. 302-306.

[2] Ibid.

of the financial distress from which these religious houses suffered was due to the extravagance and incompetence of the monks themselves. Most monasteries were busy with building operations during the thirteenth century. They saw nothing incongruous in spending vast sums on erecting new and sumptuous buildings at a time when the state of their finances demanded the most rigid economy. But the churches were not the only ones in debt during this time. Such practices were customary in all walks of life. Landowners, both ecclesiastical and lay, were burdened with enormous debts which they had neither the power nor the intention of clearing and these they handed on to their heirs or successors. Periods of mismanagement and incompetence in a community, both ecclesiastical and lay, were often terminated by the appearance of some really strong man who was able to bring order out of chaos and to save his house from disaster.[1]

During the fourteenth and fifteenth centuries, the construction of new church buildings in England came almost to a standstill.[2] Parishioners were primarily occupied with trying to keep existing structures in repair. Some buildings required only minor repairs while others were in such a run-down condition that complete rebuilding was necessary. Funds to pay for this work came from the church itself where the wealth and income of the church was sufficient, but in many cases guilds were formed to take over chantries whose rents

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[1] Ibid., p. 313.

[2] Westlake, op. cit., pp. 21-26.

and lands had disappeared or had so diminished in value as no longer to provide the necessary money.

As the Middle Ages drew to a close, other changes took place in the construction and financing of church buildings in England. Attempts were made to beautify the parish churches by the use of wall decorations and painted or stained-glass windows.[1] Most of the windows were the result of individual gifts; however, some of the less prosperous members joined themselves into groups to make such an addition to their church.

In countries where the people embraced the Reformation, the work of church building was checked.[2] The prime motive which up to that time had prompted the rebuilding or extension of so many churches was gone and the existing buildings fully met the requirements of reformed worship. The doldrums in church construction in England extended well into the sixteenth century.[3] Repairs to needy buildings were continued and paid for by a Voluntary Rate. This was in the nature of a voluntary assessment levied upon each person according to his possessions. Although not so universal, nor of course possessing the binding force of a public assessment, were Joint Voluntary Gifts for special purposes. If something in the way of a decoration, a bell, a window, a vestment or a piece of plate was wanted, the people drew themselves together to pay for it.

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[1]Gasquet, op. cit., p. 59.

[2]"Church", Encyclopaedia Britannica, Vol. 5.

[3]"London", Encyclopaedia Britannica, Vol. 14.

The Great Fire of London in 1666 destroyed many beautiful and magnificent church buildings. Four years after the fire, Sir Christopher Wren began the reconstruction of fifty-one churches which were not completed when the century ended.[1] St. Paul's, the great cathedral of the Church of England, was one of the churches completely destroyed by the great fire. It had been damaged three times by fires and once by lightning before 1666. The first stone of the new St. Paul's was laid in 1675, and the last stone was set in 1710. The total cost of the structure was about 1,511,205 pounds, equivalent to present-day costs of fully 2,000,000 pounds (1943). The rebuilding, which was undertaken by the government of Charles II, was paid for by a tax on incoming coal.[2]

The next period of extensive church construction in England began immediately after the beginning of the ninteenth century. Many new churches grew up in the large towns as a result of the zealous efforts of Evangelical groups.[3] Vast sums of money were spent on building new churches and repairing old ones. Within a fifty-year period, 1800 to 1850, more than 3,000 new parishes were created. Large grants were made by the government to help with the costs of these new edifices.

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[1] "London", Encyclopaedia Britannica, Vol. 14.

[2] "Saint Paul's", New Standard Encyclopaedia, Vol., IX.

[3] F. York Powell and T. F. Tout, History of England (London: Longmans, Green and Company, 1910), pp. 880, 969.

American Development

Early Colonial history provides a heterogeneous pattern of church construction and financing methods. Some buildings were outright gifts from one individual. The Bruton Parish Church of Williamsburg, Virginia, which was originally built in 1684 was a gift from Colonel John Page.[1] So increased was the attendance at the services that in 1701 the little parish church became overcrowded and in the course of the next ten years measures were taken to erect a new structure. This time the financing was done differently. An agreement was made between the vestry of the church and the House of Burgesses of Virginia in which the State Government was to pay for part of the cost of the new building. It was finished in 1715. The Church of the Pilgrimage, Plymouth, Massachusetts, came into possession of its first house of worship as a gift.[2] At the outset of its career, Trinity Church of New York City owned a large tract of land to which was added a magnificent endowment from the English Government. This endowment embodied all that tract of land between Vesey Street on the South and Christopher Street on the North, and running from Broadway to the Hudson River.[3] A greater part of this domain is still in possession of the church which derives

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[1] Nellie U. Wallington, Historic Churches of America (New York: Duffield & Company, 1907), p. 67.

[2] Ibid., p. 70.

[3] Ibid., p. 146.

a large income from it.

Other church buildings were paid for by contributions from the entire membership. Among the Virginians, tobacco served as an equivalent of money, and when the English settlers of New Kent County decided to build a house of worship at Whitehouse in 1703, they paid for its construction by contributions of the fragrant weed.[1] Soon after the close of the Revolutionary War, the subject of building a new house of worship was discussed by the members of the First Presbyterian Church of Elizabeth, New Jersey. Although the war had left many of them almost ruined financially, they were determined to have a new church building. A sufficient amount of money was contributed by the members to pay for the construction, and the new building was dedicated in 1791.

The construction and financing methods on the frontier also varied from one group to another. In frontier Pennsylvania around the year 1740, the ground for early Presbyterian church buildings came into possession of congregations by various ways. A congregation was frequently guilty of squatting on land just as its individual members sometimes obtained their land.[2] However, the congregation later became the lawful owner by a gift from some individual or by purchase of the land with contributions made for that purpose.

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[1] Ibid., p. 14.

[2] Guy S. Klett, Presbyterians in Colonial Pennsylvania, (Philadelphia: University of Pennsylvania Press, 1937), p. 91.

Once the land was acquired, there came the problem of the building itself. In the less developed sections of frontier Pennsylvania and in the early years of the existence of many churches, the simply log meeting house was the rule.[1] The resources of the members permitted only the simplest structure. Some of these log structures were erected in one day through the co-operative efforts of the residents of the community, while others took several weeks to complete if only a few persons did the work.[2] Both the labor and the materials were often donated to the church.

The first Baptist churches on the frontier of Indiana around 1800 were the rude cabins of the settlers.[3] As a rule these dwellings served for the first several years after a church was formed, because the membership of these early churches was often very small.

In the more highly developed communities where circumstances permitted, the Presbyterians erected large frame buildings, or even a stone building, to take the place of the old log meeting house.[4] By a special enactment of the provincial Assembly of Pennsylvania, some Presbyterian congregations were granted the right to raise money by

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[1] Ibid., p. 92.

[2] William W. Sweet, The Presbyterians, 1793-1840, Vol. II, Religion on the American Frontier (New York: Harper & Brothers, 1936), p. 61.

[3] William W. Sweet, The Baptists, 1783-1830, Vol. I, Religion on the American Frontier (New York: Henry Holt and Company, 1931, p. 53.

[4] Klett, op. cit., p. 92.

lotteries for the construction of meeting houses or parsonages and to repair church buildings. Funds for these purposes were also secured from voluntary contributions from the members.

Although details with reference to the financing are lacking, the length of time required for the construction of two New York cathedrals is pertinent to this discussion. The construction period of both these cathedrals extended over a period of decades, and this is a striking contrast to the length of time generally required to complete present-day church edifices.[1] St. Patrick's Cathedral in New York City is one of the world's largest church edifices. The cornerstone was laid in 1858 and the dedication ceremony took place in 1879. The Cathedral of St. John the Divine is also in New York City. The construction of this building was started in 1892, but it is as yet unfinished. When completed this cathedral will be one of the most imposing edifices in the world. Part of the structure was consecrated and put to use in 1911.

Financing Church Building Expansion in the United States, 1906-1940

Church buildings erected in the United States from 1906 to 1940 were paid for in many ways. One of the methods frequently used was to pay construction costs in full at the time of completion with contributions voluntarily made by the members of the church. But, it was also during this period that the prospects of having a new or

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[1] "Cathedral", New Standard Encyclopedia, Vol. II.

larger church building "immediately", to be paid for later, claimed the attention of many church groups. Such an attitude toward financing church buildings was not surprising in view of the fact that this same attitude was held with respect to the purchase of other types of economic goods. Thus, another major method used by churches to finance expansion of buildings and equipment was as follows: First, the members of the church would raise a portion of the total construction cost which was placed in a building fund. Second, they would then borrow the balance of the funds needed from a lending institution. The percentage of the total construction cost raised by the church members before work actually started varied considerably from one group to another.

Many churches borrowed money during the first thirty years of the twentieth century to finance the construction of new or larger church buildings. Numbers of these loans were made during relatively prosperous times and in many cases churches assumed very heavy financial obligations. Therefore, it was not astonishing that quite a number of churches found themselves in financial difficulty during the depression of the 1930's as a result of burdensome debts.

An attempt will be made below to answer the following questions: (1) What was the trend of church property values and church debts from 1906 to 1936? (2) Which denominations carried the largest share of the debt? (3) How much did church income decline during the depression of the 1930's? (4) What was the extent of defaults on church loans? (5) What attitudes did the churches adopt toward their debts?

(6) What effect did defaults on church loans have on the attitude of lending institutions toward this type of lending?

Church Debts

During the decade from 1906 to 1916, there was an increase in the total number of churches reporting property values, the total value of property, the total number of churches reporting debts and the total amount of church debt (Table 1, Page 21). The data also show that the percentage increase in the total value of property was greater than the percentage increase in the total number of churches reporting such valuations. This shows that the value of property per church grew faster than the number of churches. Still more important is the fact that the percentage increase in the total amount of debt was greater than the percentage increase in the total number of churches reporting debt and the percentage increase in the total value of church property.

These data are significant because they show that a growing number of churches expanded their buildings with borrowed funds and that churches were inclined to finance an increasing proportion of building costs with funds from external rather than internal sources. The tendency for a growing number of churches to borrow funds for expansion purposes is confirmed by the information in Table 2 (page 22) which shows that the ratio of the total number of churches reporting debt to the total number of churches reporting property value increased during this period from 17.4 to 21.1 per cent. Further

TABLE 1

TOTAL CHURCH DEBT AND TOTAL PROPERTY VALUE FOR ALL DENOMINATIONS IN THE UNITED STATES, CLASSIFIED BY YEAR

Year	Church Property			Church Debt		
	Number of Churches Re-porting	Value of Church Property	Increase or Decrease over Previous Year	Number of Churches Re-porting	Amount of Debt	Increase or Decrease over Previous Year
[a]1906	192,795	$1,257,575,000	+ 85.1%	33,617	$108,050,000	....
[b]1916	203,432	1,676,600,000	+ 33.3	42,990	164,865,000	+52.6%
[c]1926	202,930	3,839,500,000	+135.0	44,173	432,459,000	+162.4
[d]1936	173,754	3,411,875,000	+ 11.1	45,376	509,627,000	+ 17.8

[a]Although census figures showed the number of churches reporting (38,001) and the value of church property ($87,000,000) as early as 1850, the amount of church debt was ascertained for the first time in the 1906 census.

U. S. Bureau of the Census. Religious Bodies: 1906, Summary and General Tables, Part I (Washington: Government Printing Office, 1910), pp. 39, 48, 515, 565.

[b]U. S. Bureau of the Census. Religious Bodies: 1916, Summary and General Tables, Part I (Washington: Government Printing Office, 1919), pp. 49-50.

[c]U. S. Bureau of the Census. Religious Bodies: 1926, Summary and Detailed Tables, Vol. I (Washington: Government Printing Office, 1930), pp. 92-96.

[d]U. S. Bureau of the Census. Religious Bodies: 1936, Summary and Detailed Tables, Vol. I (Washington: Government Printing Office, 1941), pp. 98-103.

TABLE 2

RATIOS OF NUMBER OF CHURCHES REPORTING DEBT TO NUMBER OF CHURCHES REPORTING PROPERTY VALUE FOR SELECTED DENOMINATIONS IN THE UNITED STATES, CLASSIFIED BY YEAR AND DENOMINATION

Denomination[e]	Year			
	1906[b]	1916[b]	1926[c]	1936[d]
All	17.4%	21.1%	21.7%	26.1%
Roman Catholic	39.9	41.6	33.0	42.0
Lutheran Missouri	(a)	(a)	32.1	41.6
Jewish	60.1	69.5	69.8	41.1
United Lutheran	(a)	(a)	29.2	37.9
Evangelical & Reformed	(a)	(a)	(a)	36.8
Presbyterian, U.S.A.	20.0	24.5	28.3	34.5
Church of Christ Scientists	21.9	(a)	34.7	34.4
Northern Baptist	20.0	23.0	21.9	28.4
Congregational & Christian	22.5	26.2	25.6	25.9
Disciples of Christ	15.0	23.7	22.8	24.7
Methodist Episcopal	16.7	22.5	20.0	22.9
Negro Baptist	17.3	20.9	26.3	19.5
Protestant Episcopal	16.7	29.8	18.3	26.5
Methodist Episcopal, South	7.5	11.2	13.1	11.8
Southern Baptist	6.5	8.5	12.9	14.0

[a] Figures were not available for these years.

[b] U. S. Bureau of the Census. Religious Bodies: 1916, Summary and General Tables, Part I (Washington: Government Printing Office, 1919), pp. 49-50.

[c] U. S. Bureau of the Census. Religious Bodies: 1926, Summary and General Tables, Part I (Washington: Government Printing Office, 1930), pp. 92-96.

[d] U. S. Bureau of the Census. Religious Bodies: 1936, Summary and Detailed Tables, Vol. I (Washington: Government Printing Office, 1941), pp. 98-103.

[e] These 15 denominations held 86.5 per cent of all debt reported in 1936.

evidence of this tendency for churches to finance construction from external rather than internal sources is shown by the increase in the ratio of total debt to total property value from 8.6 to 9.8 per cent (Table 3, page 24).

From 1916 to 1926, the increase in total church property value was more than 100 per cent greater than that shown for the preceding ten years, while the total number of churches reporting property values, reversing the previous trend, declined (Table 1, page 21). This demonstrates that churches were more interested in the enlargement of existing buildings during this period than in the establishment of additional churches. Thus, the emphasis appears to have been on the construction of more magnificent buildings. The record of this period also shows that the percentage increase in the total number of churches reporting debts was considerably less than that shown for the preceding ten years; however, this was still a growth in the number of churches incurring debt, while the number of churches reporting property values declined. On the other hand, the percentage increase in the total amount of church debt from 1916 to 1926 was greater than the percentage increase in the total number of churches reporting debts. It is further shown that the debt increased only one and one-half times during the ten years before that date. Thus, it is quite clear that a larger proportion of church construction was financed with borrowed money from 1916 to 1926 than from 1906 to 1916.

TABLE 3

RATIOS OF TOTAL DEBT TO TOTAL PROPERTY VALUE FOR SELECTED DENOMINATIONS IN THE UNITED STATES, CLASSIFIED BY YEAR AND DENOMINATION

Denomination[e]	Year			
	1906[b]	1916[b]	1926[c]	1936[d]
All	8.6%	9.8%	21.0%	25.0%
Jewish	19.6	21.0	22.5	24.8
Roman Catholic	16.9	18.3	15.5	24.0
Lutheran Missouri	(a)	(a)	13.1	19.3
United Lutheran	(a)	(a)	12.4	15.7
Church of Christ Scientists	4.4	(a)	13.1	15.4
Evangelical & Reformed	(a)	(a)	(a)	14.9
Disciples of Christ	6.5	10.3	11.7	13.0
Methodist Episcopal	5.3	7.7	10.5	12.4
Southern Baptist	3.6	5.4	13.2	12.2
Northern Baptist	6.9	7.7	8.6	11.9
Negro Baptist	7.2	8.3	10.2	11.7
Presbyterian, U.S.A.	4.5	5.0	6.3	10.4
Methodist Episcopal, South	3.4	6.2	9.9	9.4
Congregational & Christian	4.3	4.9	12.3	7.3
Protestant Episcopal	3.9	3.9	3.8	6.0

[a]Figures were not available for these years.

[b]U. S. Bureau of the Census. Religious Bodies: 1916, Summary and General Tables, Part I (Washington: Government Printing Office, 1919), pp. 49-50.

[c]U. S. Bureau of the Census. Religious Bodies: 1926, Summary and Detailed Tables, Vol. I (Washington: Government Printing Office, 1930), pp. 92-96.

[d]U. S. Bureau of the Census. Religious Bodies: 1936, Summary and Detailed Tables, Vol. I (Washington: Government Printing Office, 1941), pp. 98-103.

[e]These 15 denominations held 86.5 per cent of all debt reported in 1936. They had the highest ratios of debt to property value for that year.

It is significant that the value of church property increased rapidly from 1906 to 1926, and that an increasing proportion of this growth was financed by borrowing (Table 1, page 21). This suggests that the burden of church debt was gradually increasing. Such a tendency is further exhibited by the increase in the ratios of total debt to total property value for each ten-year period (Table 3, page 24). The ratio was 8.6 per cent in 1906, 9.8 per cent in 1916 and 21.0 per cent in 1926.

Although the ratios of total debt to total property value were not very high for any one reporting year, they do indicate the trend of the debt. It is also evident that the burden of debt for many local churches was much heavier than these ratios would seem to indicate. The ratio of total debt to total property value for all reporting churches was only 21.0 per cent in 1926, but the fact that only 21 per cent of the total number of churches carried any debt on church edifices indicates higher ratios for many individual churches.[1] The probability of higher ratios of debt to property value for individual churches is further demonstrated by the fact that twelve denominations accounted for about 79 per cent of all debt in 1926 with ratios for these denominations from 3.8 to 22.5 per cent. That

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[1] U. S. Bureau of the Census. Religious Bodies: 1926, Summary and Detailed Tables, Vol. I (Washington: Government Printing Office, 1930), pp. 22-23.

While a few organizations with debts probably failed to report them, the number was presumably small, and it can be assumed that virtually all other churches that did not report debts had none.

the debt was still further concentrated is indicated by the fact that the ratio of debt to property value for two denominations declined from 1916 to 1926, while the ratio for nine other denominations increased (Table 3, page 24). The data for four denominations were incomplete and it could not be determined if the ratio for this group increased or decreased. Additional weight is added to the tendency for the debt to be concentrated by data which show that the percentage of urban churches with debt in 1926 was about three times that of rural churches, and the average size of the debt for urban churches was about six times as large as that for rural churches.[1]

After 1926 both the number and the proportional valuation of churches increased and debts mounted in an even larger proportion according to the testimony of church officers.[2] Specific estimates on the growth of church debts for the years between 1926 and 1930 are very meagre. One denomination showed a debt increase of $18,000,000 and two other reported increases in their indebtedness during this period, but the specific amount of increases for the latter was not given.[3] Some indication of the total indebtedness on church properties in 1932 is given in the report of a canvass made by a

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[1] Ibid.

[2] E. G. Everett, "Church Debts and the Local Bank", American Bankers Association Journal, Vol. 25 (August, 1932), 16.

[3] Herman C. Weber, "The Debts of Churches", Christian Century, Vol. 48, No. 2 (September 2, 1931), 1090.

Protestant church organization covering this problem among ten denominations in the United States. The membership of these denominations was about 10,000,000 in 1932, and this group of denominations held about 45 per cent of the total church property, based on figures reported in the 1926 census.[1] Most of the churches of these ten denominations were out of debt, but 11,655 churches owed a total of $135,200,000 on property valued at about $270,000,000.

A 1936 Federal Census showed that the amount of church debt was greater in that year than that shown for 1926, but that the percentage increase in the debt was considerably less than that for the previous ten years (Table 1, page 21). Twenty-six per cent of the churches reported debt on church buildings. Debts on urban churches were again far larger than those on rural churches, and the percentage of urban churches with debts was about three times as large as that of rural churches.[2] Fifteen denominations accounted for about 86 per cent of all debt.

Thus, the available data for the period from 1906 to 1936 clearly evidence that a substantial number of churches were in debt during this time. There is also little question that quite a number of churches entered the depression of the early thirties with a rather high ratio of debt to property value. These high ratios further indicate the probability of relatively heavy fixed charges for these same churches.

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[1] E. G. Everett, Loc. Cit.

[2] U. S. Bureau of the Census. Religious Bodies, 1936, Summary and Detailed Tables, Vol. I (Washington: Government Printing Office, 1941), pp. 98-103.

Church Income

The data in Table 4 (page 29) disclose that the total contributions to 15 Protestant denominations in the United States declined approximately 44 per cent from 1927 to 1934. Other sources indicate that total contributions to all denominations in the United States shrank from $850,000,000 in 1929 to $510,000,000 in 1932, or 40 per cent.[1] These figures show clearly that the incomes of churches declined considerably from the late twenties to the early thirties. This, of course, was the reason for the financial difficulties encountered by churches which had incurred large debts in the late twenties. It was not surprising that churches were in financial distress when they tried to meet large principal and interest payments with reductions in income of this magnitude.

Defaults on Church Loans

Evidence above has shown that a substantial number of churches were in debt before, during and after the depression of the early 1930's. It is also quite clear that the income of churches in the United States suffered a sharp decline from 1929 to 1934. It is therefore not surprising that many churches encumbered with burdensome debts got into financial difficulty.

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[1]Arnaud C. Martz, "Are the Churches Insolvent?" Christian Century, Vol. 51, (February 21, 1934), 252.
"The Church and Hard Times," Literary Digest, Vol. 116, (November 25, 1933), 18.

TABLE 4

TOTAL GIFTS TO 15 PROTESTANT RELIGIOUS BODIES IN

THE UNITED STATES FOR SELECTED YEARS, 1926-1940

Year	Total Gifts for all Purposes
1926	$ 368,529,000
1927	459,527,000
1928	429,947,000
1929	404,002,000
1930	441,452,000
1932	362,494,000
1934	256,803,000
1936	260,528,000
1938	292,554,000
1940	300,729,000

*"Gifts to Protestant Religious Bodies", 1949 Edition: Yearbook of American Churches (Lebanon: Sowers Publishing Company, 1949), p. 161.

In his discussion of church debts, Robert Cashman gives this testimony from a leading certified public accountant who audited the books of many churches which were in distress during this period:

> In modern church finance, the last generation, probably more than any other in church history, witnessed the burden of church debts, many of them unwisely contracted for expansion of plants, with the result that a double penalty was exacted; first, the expenses of operation were permanently increased; second, the burden of interest and depreciation was extended for a longer period of time. This discouraging aftermath of ill-conceived promotion, of course, was not out of line with the financing of many business enterprises that failed, but the lesson is painfully continuing to show that expansion should be from within and not merely from without.[1]

Another writer cited the plight of churches with large debts in two "typical" cities.[2] The first city was in the Middle West and had a population (1933) of 150,000. Five large church buildings were erected in the city from 1926 to 1933. One congregation decided upon an elaborate structure which was financed by a bond issue. Even before the congregation entered the new building, it was being sued for the fixtures. No interest had been paid on the bonds by the first half of 1933. Up to that time, foreclosure had been avoided only because the plant was so large and in such a location that it could not well be used for anything but a church. Two other churches in the five had likewise defaulted on their bonds. The fourth church by desperate

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[1] Robert Cashman, The Finances of a Church (New York: Harper & Brothers, 1939), pp. 116-117.

[2] Charles J. Dutton, "America's Bankrupt Churches", Current History, Vol. 39 (October, 1933), 59.

efforts was managing to exist, and the bondholders had been requested to make a gift of their bonds to the church. The fifth church was regarded as safe so long as two of its members retained both their interest and their money. Similar conditions prevailed in an Eastern city of about the same size. There was built in that city in 1929 what was purported to be the finest ..... Church building in the country. It covered a city block and cost over $1,000,000. In 1932, only a few months after completion, the church was running $2,000 behind in its budget every month, and its bonds were in default.

Charles M. Adams stated that the depression had put churches in desperate need of money and further commented: "I know of one congregation which boasts of an impressive edifice costing $280,000 and mortgaged for the grotesque sum of $240,000, ..."[1] Harry S. Myers, Secretary of the United Stewardship Council of the Churches of Christ in the United States and Canada, added to the material on church financial difficulties the following:

> I know churches that have been badly caught. One of the most beautiful churches on the outside that I have ever seen is the .... It with the parsonage is almost a block long on the main street, but that church almost failed financially because the pledges that had been made, when the depression of the thirties came, could not be paid immediately.[2]

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[1] Charles Magee Adams, "Credit Ratings With the Lord", North American Review, Vol. 237, No. 1 (January, 1934), 519.

[2] Letter from Harry S. Myers, Secretary, United Stewardship Council of the Churches of Christ in the United States and Canada to the author, April 1, 1950.

An analysis of 900 churches made by the author in 1950 revealed that some of them were in financial distress during the depression.[1] One church lost 80 per cent of property valued at about $750,000 when it became unable to meet mortgage payments. Another church lost all of its property valued at $500,000. A third church was unable to meet payments on its loan and secured a reduction in principal and interest payments.

Although the report of the canvass made of ten Protestant denominations in 1932 revealed that most of the churches in these denominations were not in debt,[2] it further indicated that 11,655 of these churches owed $136,200,000.[3] Slightly more than 3,000 of them were in default on payments of principal and interest amounting to approximately $6,500,000 and involving mortgage values of over $50,000,000. These defaulted obligations ranged in amounts from $2,000 to $27,000 with the major portion of payments from one to two years behind. Most of these loans had been made by banks. There were 292 of the above mentioned churches in such a financial condition that they had been refused aid for refinancing during the preceding twelve months. They required an immediate $5,485,000 for refinancing to keep

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[1] Charles N. Millican, "The Financial Policies of Churches", The Journal of Finance, Vol. VI, No. 4 (December, 1951), 420.

[2] See page 27 for other information pertaining to the report of this canvass.

[3] Everett, loc. cit.

their loans from being foreclosed. There had been numerous foreclosures and the number was rapidly increasing. The author of the above report also made the following comments:

> Lest the picture thus outlined be considered too discouraging in its influence, it may be well to note here than in spite of the increase in delinquencies and foreclosures the church real estate situation is better than that of any other major line of real estate financing. Delinquencies in farm loans, loans on city property and upon residences are far larger both in actual amount and in proportion to the total loans outstanding.[1]

The quotation given above was paralleled by the following comments from another who wrote about church debts and defaults during this period:

> A study made of the relative survival of churches and secular institutions during the depression up to January 1, 1933, shows that the churches were far sounder financially. Up to that time, one of six banks of the nation had gone into bankruptcy, one of 22 businesses had gone into bankruptcy, one of 50 taxing units had defaulted on its bonds, one dollar of each eighteen dollars worth of municipal bonds was in default, but only one in 2,344 churches had gone into bankruptcy.[2]

The fact that the Everett article was published in the American Bankers Association Journal and the Martz article was published in the Christian Century is some basis for saying that perhaps both financial and religious institutions have been represented in these viewpoints. The comments made in these two articles show that, in general, churches seem to have fared somewhat better during the depression years than

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[1] Ibid.

[2] Arnaud C. Martz, "Are the Churches Insolvent?", Christian Century, Vol. 51 (February 21, 1934), 252.

other types of organizations.

There is still further evidence that the majority of church loan contracts were faithfully carried out during the depression of the 1930's. An investment company which had placed more than $100,000,000 of church mortgages stated:

> We are gratified that by and large, this type of security stood up very well. The great majority of loans carried through in strict accordance with promises to pay. On the other hand, we faced problems with respect to some church loans that reflected unfavorably upon the organizations involved.[1]

Thus far, the analysis seems to suggest that the majority of churches met their principal and interest payments in full compliance with loan contract agreements. However, a number of churches did experience financial difficulty during the depression of the 1930's and some of this number were in serious financial distress.

Attitudes of Churches Toward Their Debts

Another important feature of the financial difficulties of churches during this period was the attitude which was taken toward church debts by church officials and other members.

One phase of this problem was concerned with whether the church income should be used for missions or for mortgage payments. Some persons were of the opinion that payments to mission projects should be made before payments were made on the church mortgage, while others took the opposite viewpoint. This particular problem has many

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[1]Cashman, op. cit., p. 120.

tangents, but the discussion in this paper will be kept to what appears to be the main argument. One writer expressed the following opinion on this subject:

> A large city church has a mortgage of several hundred thousand dollars on its property, which mortgage is held by one of the great insurance companies. In order to adjust the payments to its ability to pay, the church asked for a reduction of the interest rate and postponement of payments on the principal. The president of the insurance company replied that nothing could be done if the church was giving anything to missions. It was not that the president or his company had anything against missions. The idea was merely that the church ought to devote all the money it could raise, above bare living expenses, to meeting its mortgage obligations. ...
>
> Readjustments in interest rates and moratoriums on amortization payments are standard practice and should not be conditioned on ruinous economic policies on the part of the debtor. ... The institution or individual who lends money to a church ought to know in advance that it may take a mortgage on its property but that it cannot get a lien on its soul.[1]

A slightly different approach was made to this same question by one who stated:

> There must be a great many churches which are confronted by the financial dilemma and the moral problem of dealing fairly with their creditors on the one hand and with the causes and individuals represented in their missionary budgets on the other. ...but this principle is basic: participation in the wider enterprises of the whole church is essential to the vitality of the congregation.[2]

Whether payments to missions should have taken precedence over payments on a church mortgage is at best a perplexing question. It is a question that this study does not purport to answer. The attempt here is simply to point out the problem.

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[1]"Mortgages and Missions", Christian Century, Vol. 50, (December 20, 1933), 1597.

[2]"Mortgages and Missions", Christian Century, Vol. 51, (January 31, 1934), 43.

Another attitude of church groups toward their debts is revealed by those who expressed the view that churches were justified in seeking a reduction in principal and interest payments due to the depressed economic conditions existing at the time. The following quotation seems to present a middle-of-the-road point of view:

> Most churches do pay their debts. ... But some cannot pay them. And some too easily allow themselves to be persuaded that they cannot; or that in a period of deflation and devaluation, it is not important that they should; and so they do not. ...debtor churches like debtor farmers and industrial corporations found themselves seriously embarrassed in meeting the fixed charges they had assumed when everyone thought affluence would last forever. The churches are no more to be blamed for not knowing more about the financial future than the President of the United States, the Secretary of the Treasury and the most eminent experts in economics, and they are as much entitled as any to avail themselves of any refunding or reduction of their indebtedness that their creditors will agree to - if and when the load of debt in its present form cannot be carried.
>
> That last condition is of the utmost importance. Churches are justified in seeking a writing down of their bonds or other obligations, or can be excused for defaulting on them, when - but only when - the load of debt in its present form cannot be carried. The thing that makes it worth while to comment on the matter is the fact that some churches and church-supported institutions are standing from under their financial responsibilities when there is no convincing evidence that the burden is beyond their powers. Such a situation imperils both the honor and reputation of the church. In financial integrity, the church ought to be like Caesar's wife "above suspicion"; not "all things to all men". The church should pay its debts.[1]

The next quotation presents an extreme view of the responsibility which a church has towards its debts. Certainly this was not the position taken by the majority of churches during the depression

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[1]"Should Churches Pay Their Debts?", Christian Century, Vol. 51, (December 12, 1934), 1584.

of the 1930's. Archibald G. Adams commented:

> Of course the churches should pay their debts, ... But is it fair for the banks to insist on a continuation of 5 per cent and even higher rates of interest during these hard times when they themselves give 2 per cent or only $1\frac{1}{2}$ per cent on savings accounts? When the money was borrowed by our church at 5 per cent interest it was a fair rate considering the market ten years ago. But now that 5 per cent is equivalent to 10 per cent or more in the greater purchasing power of the dollar, it is unjust, unfair usury to charge 5 per cent in these times. One church of our community insists that unless the banks reduce the interest rate to 3 per cent they will not put on a campaign to raise the money for the interest payments, more than a year over due. In view of the fact that churches are not money-making institutions and are so necessary these days in keeping up the morale of the community the banks ought to reduce their interest rates; in fact, they ought not to charge anything![1]

In the following example, church officials no longer felt that the church was under obligation for the full amount of the debt in view of the depressed economic conditions. The loan was made to the church in July, 1925, for an original amount of $250,000, and secured by a first mortgage on the new church and the old church property plus some membership pledges.[2] The church subsequently defaulted on its loan payments and in 1929 a Bondholders Protective Committee was formed. Foreclosure of both the old and new church properties was consumated in the early part of 1931, the Committee retaining ownership of the old church property and conveying the new church property back to the church trustees. The Committee received new first mortgage

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[1] Archibald G. Adams, "Churches and Their Debts", Christian Century, Vol. 52, (January 15, 1936), 85.

[2] Letter from J. R. Harkey, President, Bankers Securities Company, Inc., to John W. Dietz, August 28, 1952.

bonds from said church in the principal amount of $125,000 along with $22,000 separate Trustee's notes not secured by the mortgage and approximately $1,000 cash.[1] Some payments were made on these new obligations but the entire issue again went into default in 1932. Two other plans were attempted from 1935 to 1938 but neither worked out satisfactorily. According to further information, the amount due at the time of the foreclosure eventually worked out at around 30 cents on the dollar. J. R. Harkey further commented:

> I realize of course that this loan got into trouble at a time when conditions were very bad and that there were a great many defaults. However, I was very much disappointed in the attitude this church's membership took toward payment of the debt. Some of the trustees, and especially the minister, took the position that the membership had taken their losses and saw no reason why the bondholders should not do likewise. Up to the time this loan got into trouble, I considered loans of this type largely a moral obligation, realizing that regardless of the cost or value of physical property a very small percentage could be realized under the foreclosure.[2]

In still another situation, the reaction of church officials to defaulted payments on church debts was entirely different from that shown in the case just discussed. A church college sold bonds amounting to $1,000,000 in February, 1928, for the construction of new buildings. The loan was secured by a first and closed mortgage on both the new and old properties valued at $2,328,413.[3] A notice from the

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[1] Letter from the Ex-Secretary to the New Secretary of the Bondholders Protective Committee for First Mortgage 8% Bonds issued by the .....Church, January 29, 1942.

[2] Harkey, loc. cit.

[3] Prospectus, $1,000,000 .....College, First and Closed Mortgage 5½%, Serial Gold Bonds, Citizens and Southern Company, Investment Securities, February, 1928.

Trustees under the mortgage notified holders of the bonds in October, 1934, that principal and interest payments totaling $155,000 were in default on a total amount outstanding of $998,000.[1] The Trustees transmitted further information to the effect that the college had conducted a campaign for a period of four months with the best expert assistance they could command in an attempt to raise funds with which to meet the defaulted payments. A great deal of earnest interest was manifested by a great many people in the purpose of the campaign but everywhere the solicitors for funds were met with the statement that the people, however willing, did not have the money to give. The results of the drive for funds were very disappointing and sufficient cash funds were not even raised to pay the expenses of the drive. However, the college officials stated that they would continue their efforts to secure funds. Foreclosure proceedings were not instituted at that time, but the properties were sold to the Bondholders Protective Committee at foreclosure on March 1, 1938.[2] Of the bonds outstanding, $845,000 were deposited with the Committee and the undeposited bonds were to be paid off in cash at the rate of $222.16 per $1,000 bond. The properties were then leased back to the college. The properties were repurchased for the college by certain unnamed individuals

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[1] Letter from the Trustees under the Mortgage to holders of the bonds, October 15, 1934.

[2] Letter from .....Bondholders Protective Committee to Holders of the .....College Certificates of Deposit, June 27, 1938.

in December, 1940. At that time, the Bondholders Protective Committee made its final distribution to the holders of Certificates of Deposit which brought the total amount received by holders of the Certificates to $530 per $1,000 bond.[1] It is worth mentioning that in the years which followed members of the denomination who were interested in the college instituted a campaign to raise sufficient funds to clear the moral obligation of the college. They were successful in the effort and by May, 1950, had made additional payments totaling $470 on each $1,000 bond to original purchasers of the bonds. This did not include any funds to cover the loss of interest, but the payment of an additional $470 per bond meant that the original purchasers had received total payments of $1,000 for each bond held.[2]

In another case in which the church group did not attempt to withdraw from its financial responsibilities, the original indebtedness in 1930 was for more than $1,000,000.[3] The major portion of this debt was in the form of bonds, although some of it was in the form of promissory notes. A creditors' protective committee was appointed in

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[1]Letter from .....Bondholders Protective Committee to Holders of .....College Certificates of Deposit, May 8, 1939.
Letter from .....Bondholders Protective Committee to Holders of .....College Certificates of Deposit, December 14, 1940.

[2]Letter from James F. Brown, Jr., Brown and Groover to J. R. Harkey, President, Bankers Securities Company, September 25, 1952.

[3]C. E. Bryant, ".....Pays Honor Debts", The .....Program, January, 1953, 19.

1931 after numerous payments had been defaulted. The church group decided in 1936, after consultation with creditors, to seek a final settlement and to submit to litigation through the federal court. The petition, which was for a settlement on the basis of 35 cents on the dollar, was granted and the decree was issued in December, 1937. A drive to raise the necessary cash funds for the settlement was successful and the $350,000 was turned over to the creditors. Nothing was done toward the payment of the $650,000 until 1944. In that year, the members of the denomination voted to pay off the old indebtedness by annual installments. Although the court decree of 1937 had freed them from all further legal responsibility for the debt, opinions were expressed to the effect that the church group was unwilling for creditors to sustain the 65 per cent loss on their investment. Although this action did not make any provisions for defaulted interest payments, the full amount of the principal had been paid by November, 1952.

From the above comments, it is evident that church officials and other members had various attitudes toward church debts. The positive attitude was shown by those who felt that the church had not fulfilled its obligation until at least the principal amount originally borrowed had been repaid in full. The negative attitude was portrayed by those who expressed the belief that the church was no longer under obligation due to the depressed economic conditions.

Attitudes of Financial Institutions Toward Church Debts

The current attitudes of financial institutions toward church

loans have undoubtedly been shaped by the experiences which they had with this type of lending from 1920 to 1940. Some churches met their loan payments in a satisfactory manner while others did not. Such results would lead one to expect a mixed reaction toward loans to church organizations.

A favorable attitude was created toward loans to certain denominations and to particular churches within other denominations because they fulfilled their loan obligations during the depression of the thirties. That a substantial proportion of church loans were carried through in accordance with loan contract agreements has been demonstrated above. More than one lending institution official stated that, in general, some denominations maintained a better credit standing in the financial community during The Great Depression than others.[1] It may further be stated that certain churches within many denominations gave a better performance on loan contracts than others.

On the other hand, a certain amount of skeptcism arose in financial circles toward church loans as a result of several different kinds of unfavorable experiences encountered during this period. One reason for the skepticism can be traced to the fact that the percentage of defaults on church loans was apparently higher in some denominations than others.[2] Therefore, it was not astonishing that some loan

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[1]Letter from J. R. Harkey, President, Bankers Securities Company, Inc., to John W. Dietz, October 2, 1952.

[2]*Ibid.*

officers expressed a more favorable attitude toward loans to churches of one denomination than another. More than one loan officer felt that the organizational structure of the denomination itself seemed to have had some influence on the gravity of financial problems of churches during the depression of the thirties. The following comments probably present this feature more clearly than others:

> It is significant that while the comparative indebtedness of several of the larger denominations does not vary greatly in proportion to membership, the comparative credit standing of the churches as indicated by the proportion of defaults usually varies with the strength of their national organization. The stronger the national organization, the smaller is the proportion of defaults. This is merely the logical result of the old axiom that "in union there is strength", but it has a practical application in the present situation. Since church construction financing has almost become big business, it should follow that it ought to be conducted on big business principles, which has certainly not been the case with most of the church organizations.[1]

Another reason for the skeptical attitude of lending institutions toward church loans was the lack of a sense of moral responsibility for the debt by some church members. The churches had generally been granted a loan primarily on a moral and not a financial or a legal basis. The following quotation is illustrative of others:

> I will try to give you my impression of my experience in connection with religious institutional financing, although it is rather hard to give anything concrete since there was so much variation in the outcome of the various loans of this type that I was identified with.
>
> Prior to the troubles that we had with some of this type of loan, I had a somewhat better opinion of religious institutional

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[1] Everett, loc. cit.

obligations, believing that organizations of this kind placed their moral obligation on a higher plane that at least some of them did.

Of course, some of these loans matured at times when conditions were very bad, and in some instances members of these organizations had suffered financially to the extent that it was perhaps impossible for them to meet their pledges. However, it did seem to me that an extension of time and reasonable terms of extensions would be appreciated by the membership and an effort made to eventually liquidate the loan. However, in some instances I know it to be a fact that they took the attitude that since they had suffered financially they saw no reason why the bondholders should not take their losses too. It is gratifying to know that in some cases this attitude on the part of the borrower did eventually work out satisfactorily to the bondholder, but it usually took more time and patience than the bondholder had.[1]

When a church did not fulfill this moral obligation, the lending institution was left in most cases without any course of action to recover its loss. A mortgage on the property actually offered little protection for the lender because church property can generally be used only by a church. The problem is aptly presented in the following statements:

I realized at the time we were making this type of loan that physical security did not mean very much in the way of realization under foreclosure proceedings, and was merely window-dressing or an indication of the size and character of the denomination.[2]

What can a creditor, especially a bank, do with a church building acquired under foreclosure? It is seldom that a bank can use such a building. It is sometimes possible to rent it, and often the building is rented for the time being to the former owners. Sales are difficult because, while sites may be valuable, the necessity of clearing them for rebuilding often takes much

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[1]Letter from J. R. Harkey, President, Bankers Securities Company, Inc., to John W. Dietz, October 2, 1953.

[2]*Ibid.*

> from their value. Remodeling is often possible but this involves expenses which creditors usually are not willing to make in these times, and in the case of a bank it involves legal problems not easily solved.
>
> The situation presents a distinctly embarrassing problem for many banks, especially for those in medium-sized or smaller cities. There is perhaps not a bank in the country which is not disposed to take some risk in financing the churches of its community. As a means of moral uplift and in developing a reliable background, a church is of definite value aside from any other consideration. A community without a church would offer little promise for the future of any bank, and a community willing to be without a church would be a poor banking risk. However, churches are eleemosynary institutions; banks are not. Admitting sound business as well as the moral obligation on the part of a bank to aid its community in the construction of churches, the fact remains that the bank must consider a church loan as a business transaction to be conducted upon business principles.[1]

Although it was not the view generally expressed by responding loan officers and is not the opinion of the author of this dissertation, the following statement is an illustration of an extremely negative attitude toward church loans. One loan officer said: "... Our experience is that all churches get into financial difficulties sooner or later. ..."[2]

The record from 1926 to 1940 shows that a substantial number of churches were in debt for new buildings and equipment. It seems that, by and large, churches met their loan payments in strict accordance with the agreements which had been made with lenders. However, many congregations defaulted on their financial obligations when they tried

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[1] Everett, loc. cit.

[2] This statement was taken from one of the questionnaires returned to the author of the dissertation by one of the savings and loan associations.

to meet large and burdensome loan payments with greatly reduced incomes. Some of those groups which defaulted felt that the church had not fulfilled its obligation until at least the principal amount originally borrowed had been repaid in full. Others expressed the belief that the church was no longer under any obligation due to the depressed economic conditions. It is further evident that both favorable and unfavorable attitudes were engendered in financial circles toward church loans, depending upon the experience of the lending institution with this type of loan during the 1930's. The skepticism which arose appears to be levelled primarily at the individual churches which defaulted on their financial obligations and at the denominations which, in general, failed to maintain a good credit rating. The skepticism was particularly keen toward those church groups which felt no sense of moral obligation for their debts. The lack of protection afforded the lender in a church mortgage further intensified this unfavorable attitude.

Church Construction Activity and Income in the United States, 1941-1952

During World War II, there was almost a drought in church construction activity (Table 5, page 47). The expansion of church property which had risen from $21,000,000 in 1934 to $62,000,000 in 1941, declined to only $6,000,000 in 1943. But since the end of the war in 1945, there has been a tremendous increase in the number of church buildings being erected. The percentage increase in the total

TABLE 5

TOTAL NEW AND RELIGIOUS CONSTRUCTION ACTIVITY IN THE UNITED STATES, CLASSIFIED BY YEARS, 1929-1950*
(millions of dollars)

Year	Total New Construction Activity	Religious Construction Activity
1929	$ 10,793	$ 147
1930	8,741	135
1931	6,427	87
1932	3,538	45
1933	2,879	22
1934	3,720	21
1935	4,232	22
1936	6,497	34
1937	6,999	44
1938	6,980	51
1939	8,198	48
1940	8,682	59
1941	11,957	62
1942	14,075	31
1943	8,301	6
1944	5,259	11
1945	5,633	26
1946	12,000	76
1947	16,627	126
1948	21,572	251
1949	22,584	360
1950	27,902	409

*U. S. Department of Commerce, National Income and Product of the United States, 1929-1950 (Washington: Government Printing Office, 1951), pp. 198-199.

amount of religious construction activity has been even greater than the percentage increase in the total amount of all construction activity. According to the F. W. Dodge Corporation, about 1,480 churches were built in 37 states (excluding the Far West) during 1946.[1] The total value of these new buildings was placed at $56,750,000. A survey of church construction plans of eight denominations (Catholic and Protestant) showed that investment programs for these denominations from 1945 to 1954 extended from a few million dollars to as much as ten billion dollars. During 1952, the nation's churches were reported to be engaged in the erection of more new buildings than at any other time in their history.[2] According to Albert M. Conover, Director of the Bureau of Church Building and Architecture of the National Council of Churches of Christ in the United States, there was over $1,000,000,000 worth of work on Protestant church buildings alone in architects' offices in March, 1952.

The income of churches in the United States has also increased substantially during this period. The total income of the 15 largest Protestant religious bodies was $459,000,000 in 1945 and $971,000,000 in 1949.[3] During 1950 and 1951, the total income of all denominations

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[1]"Churches: Spending Billions to Keep Up With The Times," Business Week, (April 11, 1953), pp. 100-101.

[2]The Wall Street Journal, May 24, 1952, p. 1.

[3]"Gifts to Protestant Religious Bodies", 1949 Edition: Yearbook of American Churches, (Lebanon: Sowers Publishing Company, 1949), p. 161.

was running about $1,200,000,000 annually.[1]

Attempts to secure comprehensive financial information on the current indebtedness of churches on a nation-wide basis have been unsuccessful due to the lack of any central record of such data since the Federal Census of 1936.[2] National figures are especially hard to find for the multitude of self-governing Protestant churches. Denominations keep records with varying degrees of completeness; some national offices know little about the fiscal affairs of the local congregations. Yet some figures are obtainable, and they indicate that churches have borrowed funds to help finance their current construction programs. One church official stated that the ratio of the total debt to the total property value for churches in his denomination was 6 per cent, while for a second denomination information indicated a ratio of 10 per cent.[3] In April, 1950, an official of the Southern Baptists estimated that churches in his denomination probably owed $50,000,000 for recent construction.[4] An examination of the 1952 annual report of the Methodist Church disclosed that a substantial number of the churches

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[1]The Wall Street Journal, May 24, 1952, p. 1.

[2]Letter from J. J. Collins, Vice-President, Central Hanover Bank & Trust Company, to the author, June 29, 1950.
Letter from T. W. Englert, Business Information Division, Dun & Bradstreet, Inc., to the author, July 5, 1950.

[3]Cashman, op. cit.

[4]Statement by William A. Harrell, Secretary, Department of Church Architecture, Sunday School Board of the Southern Baptist Convention, personal interview.

of this denomination were in debt. Although the above information on church debts was only fragmentary, it was sufficient to demonstrate that churches in the United States were not financing all of their current construction activity from internal sources.

Summary

The development of the financing of church building expansion presented above clearly shows that such programs have been paid for in many ways. The primary method appears to have been for the members, or those interested in the church, to make gifts or contributions to the church which were to be used to pay for the construction costs. These gifts or contributions came in many forms and were made by many different persons. Several times during the history of the church, substantial assistance in defraying church building costs was received from the reigning monarch or the government. It seems that there have been only two times in the history of the Christian church when extensive use was made of borrowed money to erect new or larger buildings. Once was in England during the thirteenth century and the other time was in the United States during the early part of the twentieth century. In both instances, churches which had over-extended themselves found themselves in financial difficulty when they tried to meet large debt payments with reduced incomes.

Statements given above clearly reveal that the churches of America have spent hundreds of millions of dollars for the expansion of buildings and equipment since 1945. It is further evident that once

again a considerable amount of this expansion has been paid for with borrowed funds. Where did they borrow the money? Have the lending institutions in the United States continued to make church loans in spite of the difficulties experienced by some of them with this type of lending during the 1930's?

A survey was made of banks, life insurance companies and savings and loan associations in the United States during the early half of 1952 in order to find the answers to these questions. These firms were asked to indicate if they had made any loans to churches from January 1, 1946, to January 1, 1952. An attempt was also made in this survey to answer the following questions: (1) How many loans to churches had been approved during this period and how many loan applications had been declined? (2) If the lending institution had made any loans of this type, what were the primary factors influencing their decisions to make such loans? (3) In view of the inadequacy of a mortgage on church property to provide the lender with protection for his loan, what steps have they taken to correct this deficiency? (4) Are the characteristics of church loan contracts similar to those on conventional loans, or do church loans possess certain unique characteristics? (5) Have these lending institutions been selective in approving this type of loan application? (6) Have they made loans only to churches of certain denominations? (7) Have there been any defaults on loan payments during this period? (8) What percentage of the total construction cost have

they required the church to have on hand before approving the loan application? The answers to these and related questions will be discussed in the chapters which follow.

CHAPTER II

BANK LOANS TO CHURCHES, 1946-1952[1]

Introduction

Churches, along with other organizations, accumulated excessive debts during the 1920's in order to finance the expansion of buildings and equipment. As a result of these excessive debts, financial difficulties were encountered by numbers of churches during the 1930's when they tried to meet high fixed charges with reduced incomes. Many of the loans on which payments were defaulted had been obtained from banks. In spite of the fact that many churches fulfilled their financial obligations faithfully during the depression of the 1930's, still a certain amount of skepticism arose among bankers toward loans to church groups due to the embarrassing situations which arose.

In view of this earlier experience, the question of just what policy banks could reasonably be expected to adopt in the handling of applications for church loans to finance the postwar expansion has doubtless been a matter of some concern to every bank board in the land at one time or another, and, with many, it has been a constantly recurring

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[1]Unless otherwise indicated, all data used in this chapter have been taken from the questionnaires returned by the 215 banks which responded to the church loan survey.

See Appendix A (p. 223) for a complete discussion of the sampling procedure employed in this survey.

one. Particularly is this true of those banks in which public relations factors are fully weighed in the formulation of policies generally affecting their relations with groups organized along religious or similar lines.

Granted that no amount of public or group pressure should be permitted to influence a bank's management to engage in unsound lending practices, there remains a question as to just which course, in given instances, holds the greater probability of loss. For a banker to take a completely negative attitude toward church loans is avoiding the question. Sooner or later such an attitude could create some avoidable ill will which could conceivably prove quite costly. On the other hand, it is difficult to imagine a more difficult situation, and one loaded with greater possibilities for ill will than a church loan gone sour.

Therefore, one purpose of this survey of banks was to determine whether or not banks have continued to make loans to churches in view of the skepticism which has existed since the early thirties. The results of this survey indicate that the answer to this question is definitely an affirmative one.

Another purpose of the survey was to secure information to answer the following questions: (1) How many banks made church loans, and how many banks did not make church loans? (2) What was the total number and total amount of these loans? (3) What use was made of the loans by the churches which received them? (4) What were the contract terms of these loans? (5) Did the banks make loans only to certain denominations? (6) Were the loans to churches confined to any particular geographical region in the United States? (7) What percentage of the

total construction cost did banks require the churches to have on hand in the form of cash before considering the loan application? (8) Have there been any defaults on church loans since January 1, 1946? (9) How many church loan applications have been declined by banks, if any? (10) What factors influenced bankers' decisions as to whether or not to make loans? And (11) What seems to be the prevailing attitude of bankers throughout the United States toward church loans? These and related questions will be answered in the following pages.

The sample survey of bank loans to churches was started during the early half of 1952. Banks were requested to report on all loans made to churches from January 1, 1946 to January 1, 1952. One thousand banks with total assets on June 30, 1950 of $60,201,000,000, or 31 per cent of the total assets of all U.S. banks, were selected on a random sample basis as described in Appendix A, page 223. Table 1 (page 56) shows that 215 banks responded to the questionnaire, or 21.5 per cent of those sampled, and they held approximately 23.5 per cent of the total assets of all banks. As an indication of the adequacy of the sample in the church loan survey, it may be compared with the survey of urban mortgage financing by Carl F. Behrens which was published by the National Bureau of Economic Research. Behrens obtained responses from 170 banks from a sample of 496, or 34 per cent of those sampled, and they held approximately 34 per cent of all urban mortgage loans of commercial banks.[1] While the recent survey of bank loans to churches

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[1] Carl F. Behrens, Commercial Bank Activities in Urban Mortgage Financing (New York: National Bureau of Economic Research, 1952), p. 37. It should be noted that financial support for the Behrens' study

did not obtain quite as high a percentage of returns as the survey of bank activities in urban mortgage financing, a larger sample was used and a larger absolute number of responses was received.

TABLE 1

RESPONSE OF 215 BANKS IN THE UNITED STATES TO THE CHURCH LOAN EXPERIENCE SURVEY, CLASSIFIED BY SIZE OF BANK ASSETS, JANUARY 1, 1946-JANUARY 1, 1952[a]

Item	Asset Size ($ millions)		All Sizes	
	Less than 2.6	More than 2.6	Number	Assets
No. of banks in U.S.[b]	7,377	7,377	14,754	$193,647,000,000
No. of banks in sample	500	500	1,000	60,201,000,000
No. of banks responding	103	112	215	46,576,000,000
Response ratio[c]	20.6%	22.4%	21.5%	75.7%
No. of loans reported	123	445	568	....

[a]Data are for assets as of December 30, 1950.

[b]Rand McNally Bankers Directory (Chicago: Rand McNally and Company, 1951), p. 304.

[c]Represents the number of responding banks as a percentage of the number of banks sampled.

The sample data in this chapter will not be used as a basis for

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was received from the Association of Reserve City Bankers, the Life Insurance Investment Research Committee, and the Rockefeller Foundation. Technical assistance was given by the American Bankers Association, the Board of Governors of the Federal Reserve System while the research itself was done co-operatively by the National Bureau of Economic Research and the Federal Deposit Insurance Corporation.

This study was financed entirely by the author of the dissertation. The only outside assistance received on the church loan survey was in the form of a transmittal letter from the Florida Bankers Association.

estimating the characteristics of all church loans by banks, but they are presented only as indicating the experiences of these 215 banks during the period indicated. The returned questionnaires contained adequate information for an analysis of the outstanding characteristics of church loans made by these 215 banks and these features will be presented in subsequent pages.

Table 2 (page 58) shows that approximately 96 per cent of the total assets of all responding banks is represented by the assets of the 113 banks which stated that they had made loans to churches. This suggests that a higher percentage of the large responding banks had made loans to churches than the small banks. This is substantiated by the data in Table 3 (page 59). Sixty-four of the 113 responding banks which made loans to churches had deposits of $2,500,000 and over. Fifty-four of the 102 responding banks which did not make loans to churches were in this same size classification. The "no church-loan" banks generally decreased both in number and in proportion as the size of the bank group increased. The 113 banks (52 per cent of those responding) reported that 568 loans totaling $18,552,171 had been made to churches during the five-year period. Another significant feature of the information in Table 2 (page 58) is that it indicates that in all size classifications, the total amount of church loans was only a very small percentage of the total loans and discounts. It is recognized that the figure for the church loans is a total of loans over a period of time, while the figure for the loans and discounts is a total for a point in time; however, the comparison is used to give only a general indication of the relative amount of church loans and is not intended as an exact

percentage. It should be kept in mind that the public relations factor

TABLE 2

DISTRIBUTION OF ASSETS, LOANS AND DISCOUNTS AND AMOUNT OF CHURCH LOANS FOR A SAMPLE OF 215 BANKS IN THE UNITED STATES CLASSIFIED BY SIZE OF BANK DEPOSITS, JANUARY 1, 1940-JANUARY 1, 1952

Item	Bank Deposits ($ millions)*				All Banks
	Less Than 5.0	5.0 to 25.0	25.0 to 100.0	100.0 and Over	
	(All figures in thousands of dollars)				
Total assets 215 banks responding ...	$278,531	$416,132	$1,258,147	$44,023,140	$46,[illegible]75,950
Total assets 113 banks making church loans	139,306	245,113	611,299	42,337,362	43,333,080
Total loans and discounts 113 banks making church loans .	42,828	64,028	162,898	16,125,464	16,396,218
Total amount of church loans .	582	1,005	1,008	15,956	18,552

*Size classification of banks is based on those used in _Eighty-Ninth Annual Report of the Comptroller of the Currency 1951_, (Washington: Government Printing Office, 1952), p. 116.

in this type of loan makes church loans far more important in bank operations then the above amounts would seem to indicate. One church usually involves far more persons directly than the ordinary single commercial bank loan.

TABLE 3

RESPONSE OF 215 BANKS IN THE UNITED STATES TO THE CHURCH LOAN EXPERIENCE SURVEY, CLASSIFIED BY SIZE OF BANK DEPOSITS, JANUARY 1, 1946-JANUARY 1, 1952

Bank Deposits ($ millions)	Number of Banks		
	Total Responding	Making Church Loans	Not Making Church Loans
Less than 2.0	80	40	40
2.0 - 2.599	23	9	14
2.6 - 5.000	33	14	19
5.0 - 25.000	34	21	13
25.0 - 100.000	20	11	9
100.0 and over	25	18	7
Totals	215	113	102

Number and Amount of Loans

Responding church-loan banks are divided into four different size groups on the basis of their total deposits as indicated in Table 4 (page 61). These size groups will be retained throughout the chapter and the groups of banks will at times be referred to by the group numbers.

Table 3 (page 59) has shown that 113 banks made loans to churches during the survey period; however, only 105 of these 113 banks included sufficient information on the returned questionnaires for an analysis of detailed characteristics of the loans made by this group of firms. Therefore, Table 4 and subsequent tables in this chapter will contain an analysis of the characteristics of the loans made by 105 banks.

While there were slightly more than one-half of all "church-loan"

banks in Group 1 (deposits of less than $5,000,000), this group of firms made only 32 per cent of the number of loans and 3 per cent of the amount of loans, Table 1, Appendix A. On the other hand, banks in Group 4 (deposits of $100,000,000 and over) constituting one-sixth of all "church-loan" banks reported 36 per cent of the number of loans and 86 per cent of the amount of loans. Banks in Group 4 had the largest average number of loans per bank, while banks in Groups 1 and 2 had the smallest average number of loans. This is confirmed by the data in Table 4 (page 61) which show that the average number of loans per bank was the same (3) for the banks in Group 1 as it was for the banks in Group 3, whereas, the banks in Groups 2 and 4 had an average number of loans per bank of 7 and 15, respectively. It is significant that the average number of loans was considerably larger for banks in Group 4 than it was for any other group. In Group 2, one bank alone accounted for 65 of the 146 loans reported by the firms. This bank with deposits of $5,261,000 was located in a city of 5,500 population. Undoubtedly this is a unique situation but no explanation for it could be determined from the information on the questionnaire.

The somewhat different approach to the number of loans made per bank presented in Table 2, Appendix A, shows that Group 4 had a much smaller percentage of its firms making 5 loans or less than any of the other groups of banks. It was not surprising to learn that Group 2 had the next smallest percentage of firms within this classification and that Groups 1 and 3 had the largest percentage of firms so classified.

The total amount of loans reported by banks in Groups 2 and 3 was approximately the same, and this amount was about twice that reported

by banks in Group 1 and about one-sixth of that reported by banks in Group 4, Table 1, Appendix A. Although the number of loans made per bank did not generally increase with an increase in the group size of banks, the information in Table 4 (page 61) shows that both the average amount of loans made per bank and the average size of loans did increase with an increase in the group size of banks. This shows a general tendency for the small banks to make the small loans and the large banks to make the large loans. The frequency distribution of the number of loans in each loan size classification gives further evidence of this tendency. The percentage of the total number of loans under $10,001 to the total number of loans made by each group of banks was as follows: 96 per cent for Group 1, 76 per cent for Group 2, 51 per cent for Group 3, and 25 per cent for Group 4.

TABLE 4

AVERAGE SIZE OF LOANS, AVERAGE NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY SIZE OF BANK DEPOSITS, JANUARY 1, 1946-JANUARY 1, 1952

Item	Bank Deposits ($ millions)				All Banks
	Less Than 5.0 (Group 1)	5.0 to 25.0 (Group 2)	25.0 to 100.0 (Group 3)	100.0 and Over (Group 4)	
Avg. no. of loans per bank	3.0	7.3	3.0	15.4	5.4
Avg. amt. of loans made per bank	$9,546	$50,277	$91,650	$1,227,957	$186,685
Avg. size of loans	$3,446	$11,971	$32,521	$ 117,325	$ 44,171

TABLE 5

RATIOS OF EXPANSION TO REPAIR LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY SIZE OF BANK DEPOSITS, JANUARY 1, 1946-JANUARY 1, 1952

Bank Deposits ($ millions)	Ratios: Expansion to Repair Loans		Ratios: Expansion to Operating Expense Loans	
	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans
Less than 5.0	1.2	3.6	5.2	39.8
5.0 - 25.0	1.1	7.6	4.0	91.2
25.0 - 100.0	2.0	6.7	18.1	171.0
100.0 and over	3.9	13.3	5.2	6.6

Several reasons would account for the facts revealed in the preceding paragraphs. First, the demand for church loans has not been as great in the smaller cities and towns as it has in the larger cities and metropolitan areas. The median population figures (1950) of places in which the banks are located were as follows: 5,050 for Group 1, 124,808 for Group 2, 968,020 for Group 3 and 1,287,624 for Group 4.[1] This suggests that the large-deposit banks are mainly in metropolitan areas where church buildings of higher value are concentrated, while the small-deposit banks are mainly in small cities and towns where church buildings of lower value are located. Thus, the demand for larger loans by churches would generally be found in the larger cities and metropolitan areas. Furthermore, one of the primary factors affecting the expansion

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[1]U.S. Bureau of the Census, Census of Population: 1950, Vol. I, Number of Inhabitants (Washington: Government Printing Office, 1952), pp. 2-7 to 50-10.

of church facilities is a growing population which gives the churches greater opportunities for increases in membership. There has been a definite trend of population toward the larger cities and their suburban areas since 1940.[1] Thus, assuming increases in church memberships in these larger cities and metropolitan areas, there would be a greater demand in these localities for loans to churches than in smaller cities and towns as the churches in the former centers attempted to provide additional facilities for their constituents. Even if a small city had the same percentage increase in population as a larger one, the demand for additional church facilities would probably not be as great in the former as in the latter. For example, a 10 per cent population increase in a town of 2,000 residents would result in an absolute increase of only 200, while a similar 10 per cent population increase in a city of 1,000,000 residents would result in an absolute increase of 100,000. The difference in the potentialities for increases in church memberships is obvious.

Perhaps closely allied with the first reason are the additional opportunities afforded the larger banks due to the generally wider areas which they serve. A third important factor affecting the volume of church lending by banks of different sizes is the inability of the smaller banks to handle the larger loans. Even if a small bank were given the opportunity of making a very large church loan, it would be forced to turn it down due to insufficient lending capacity. For example, 63 of the "church-loan" banks had total deposits of less than

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[1] *Ibid.*

$5,000,000 and 14 had less than $1,000,000. All 63 "church-loan" banks in Group 1 (deposits of less than $5,000,000) had loans and discounts of less than $3,000,000 and 26 had less than $500,000. Thus, even the total lending capacity of any one of these small banks would have been insufficient to handle the total amount of church loans made by a few of the large banks. And no astute banker is going to place any substantial part of his loans in one type of single purpose property, particularly church loans. It would have been most difficult in some instances for some of the small banks to have handled a few of the single loans made by the large banks. As a banker in Group 1 stated: "We wouldn't be interested in any church loan of a sizeable amount." Another banker whose firm held approximately $1,000,000 in loans and discounts commented: "We participated 20 per cent in a $200,000 ... Church construction loan, ..." Still another with loans and discounts of $553,000 indicated that the church loan requested was a little larger than it cared to handle. They replied: "We handled this loan in co-operation with two national banks in an adjoining city. We retained $14,000 for ourselves and the balance of $21,000 was taken by the others."

A fourth reason is to be found in the legal limitations placed upon the real estate mortgage lending activities of both national and state chartered banks. Section 24 of the Federal Reserve Act places an upper limit on the amount that may be loaned by national banks against a property of given appraised value. This is termed the maximum loan-to-value ratio. The amended section of the Federal Reserve Act reads as follows:

> Any national banking association may make real estate loans secured by first liens upon improved real estate, including farm land and improved business and residential properties ... The amount of any such loan hereafter made shall not exceed 50 per centum of the appraised value of the real estate offered as security and no such loan shall be made for a longer term than five years; except that (1) any such loan may be made in an amount not to exceed 60 per centum of the appraised value of the real estate offered as security and for a term not longer than ten years if the loan is secured by an amortized mortgage, deed of trust, or other such instrument under the terms of which the installment payments are sufficient to amortize 40 per centum or more of the principal of the loan within a period of not more than ten years, ...[1]

On the other hand, Section 5200 of the National Bank Act which places a limit on the total amount of any single loan, reads as follows:

> The total obligations to any national banking association of any person, copartnership, association, or corporation shall at no time exceed 10 per centum of the amount of the capital stock of such association actually paid in and unimpaired and 10 per centum of its unimpaired surplus fund.[2]

State chartered commercial banks make mortgage loans under a wide variety of laws. A recent digest of these laws indicates that limits are placed on the term of years for which ordinary real estate loans may be written in twenty states, and limits on the maximum loan-to-value ratio of such loans in twenty-three states.[3] One indication of the type of restriction placed upon state-chartered banks is the regulations in the State of Florida which state that it is unlawful to make an unsecured loan for more than 10 per cent of the capital and unimpaired surplus of

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[1] U.S. Statutes at Large, Vol. LXIII, Part I, p. 906 (1949).

[2] U.S. Revised Statutes, Sec. 5200, (1375).

[3] Legal Maximum for Loan-Value Ratio and for Term of Real Estate Loans by State Banks Generally and to G.I.'s (New York: American Bankers Association, 1946).

any bank to any person, firm or corporation until approved by the board of directors or a duly authorized committee therefrom.[1] The Florida law further states that secured loans to any person, firm or corporation are limited to 25 per cent of the bank's capital and unimpaired surplus.[2] Thus, legal limitations definitely restrict the amount of loans by banks to any one church organization even if banks were inclined to disregard general rules of good banking.

Use of Loans

What use was made of the bank loans received by churches? The 105 banks reported sufficient information on 420 loans for an analysis of the uses made of them. Forty-seven per cent of the number and 28 per cent of the amount of loans were for expansion, Table 3, Appendix A. Loans used for expansion included the following: (1) $6,009,872 for new buildings and/or the enlargement of present buildings and (2) $2,889,100 for construction loans. A rather large percentage of the amount of loans contained no specific information as to the use made of the funds. A relatively small proportion of the total loans was made for repairs, operating expenses and "other uses." "Other uses" included such items as: new organs, insurance loans, moving a building and wrecking an old tower.

On the basis of information pertaining to the number and amount of loans made by banks in each group size, it was to be expected that

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[1] Florida Statutes, 1951, chap. 653, Sec. 13, (2).

[2] Ibid., (3).

the total amount of loans made to churches for all three primary uses (expansion, repairs and operating expenses) would generally increase with an increase in the size of the group. This is confirmed by the data in Table 3, Appendix A. The average size of loans and the range amounts of loans also increased with an increase in the size of the group, Table 4, Appendix A.

It is also worth mentioning that the ratio of expansion to repair loans was greater for the largest banks than for the smallest banks (Table 5, page 62). These ratios did not increase with an increase in the size of the group. However, the data in this table suggest that churches in the smaller areas were more inclined to borrow money from banks to make repairs to buildings than to build new ones, whereas, the churches in the larger areas were more inclined to do just the opposite. There was no discernable relationship between the ratios of expansion to operating expense loans and the group size of banks.

It is pertinent to examine the possible relationship between the use of loans, the size of banks and the changes in population of the cities in which the banks were located. The period from 1940 to 1950 was used in determining the change in population. Population of the cities in which the banks were located was used rather than the population of the cities in which the recipient churches were located. However, inasmuch as bank lending is generally local in character, it is felt that unwarranted liberty has not been taken in this approach to the problem. For example, the comment on one of the questionnaires indicates the general local nature of bank lending:

We have had no direct construction loans presented to us

for some time. Churches in our city are rather old, have been built for many years and loans asked for have been more for operating expenses, re-organization or for repairs to building and/or heating plant or furniture and fixtures.

Median population figures (page 62) have already indicated a direct relationship between the increase in the group size of banks and an increase in the median population of places in which the banks were located. Therefore, the group size classification of banks was retained with one exception. Group 1 (deposits of less than $5,000,000) was given two sub-classifications because a substantial number of the banks in this group were in places with less than 2,500 population as well as places with more than 2,500 persons. All other banks were in places with more than 2,500 population.

The data in Table 5, Appendix A, indicate that there was definitely a larger ratio of expansion to repair loans in all groups of banks where the population increase was over 10 per cent than where the population increase was less than 10 per cent. As a matter of fact, the increases in the ratios (from the small group sizes to the large group sizes) were proportionately greater for those banks where the population increase was over 10 per cent than where the population increase was less than 10 per cent.

The fact that all ratios for expansion to repair loans were greater in all group sizes of banks in cities where the population increase was over 10 per cent than where the population increase was less than 10 per cent suggests two things: (1) That banks in cities with more than a 10 per cent population increase were lending a larger proportion of funds to churches for expansion than were the banks in cities

with less than a 10 per cent population increase. Thus, churches in cities with more than a 10 per cent population increase were securing a larger percentage of borrowed funds for new buildings and enlargements than were churches in cities with less than a 10 per cent population increase. (2) That churches in cities with less than a 10 per cent population increase had found it expedient to secure a larger proportion of borrowed funds for repairs to existing properties than for erecting new buildings or for enlarging old ones.

The pattern was not so clearly defined for the relationship between expansion and operating expense loans. The ratios for expansion to operating expense loans were with one exception greater in all group sizes of banks in cities where the population increase was more than 10 per cent than for those banks in cities with less than a 10 per cent population increase, Table 6, Appendix A. This indicates that four groups of banks in cities with the smaller proportionate population increases were lending a larger percentage of funds to pay for current operating expenses than were the banks in cities with the larger proportionate population increases. The reverse was evidenced by the data for banks with deposits from $5,000,000 to $25,000,000. On the other hand, there were two groups of banks in cities where the population increase was more than 10 per cent which did not report a single operating expense loan. Thirteen banks in these two groups made 26 loans totaling $616,000.

The preceding statements are based on ratios and they should not be interpreted to mean that the total number or amount of loans for each group size of banks was greater for banks in cities where the

population increase was less than 10 per cent. Such was not the case. In fact, this was true for only 3 out of the 5 groups of banks.

The foregoing statements are confirmed by the data in Table 7, Appendix A, which show the average amount of loans made per bank, classified by size of bank deposits, use of loans and relative population increases.

Contract Terms

In succeeding pages, an attempt will be made to answer the following questions pertaining to contract terms on church loans: (1) What maturities were placed on the loans made to churches? (2) What interest rates were charged on church loans? (3) What were the loan-to-value ratios? (4) Were churches required to make periodic payments on their loans? (5) What types of security did the banks require of the churches?

Contract Length

The responding banks have generally restricted their church lending activities to either short-term or intermediate-term for expansion and repair loans, Table 8, Appendix A. Operating expense loans were primarily on a short-term basis. In fact there was only one operating expense loan for more than 1 year and this was for 3½ years. Information on the questionnaire indicated that this loan would probably be used by more than one church as it was made to a district organization.

Intermediate-term loans are in line with the present-day concept of the type of loans proper for banks which the *Financial Handbook*

explains as follows:

> It was once thought economically unsound and socially unwise to use bank credit for other than a fairly narrow range of purposes identified with production or distribution. Loans, it was held, had to be short-term and self-liquidating to be sound. Maturities of more than 90 days were questioned, except for agricultural paper, and a maturity of more than one year was considered an improper use of bank credit. In contrast, banks lend nowadays for practically any purpose so long as ultimate payment is reasonably sure. They make capital loans on a term basis, that is, payable in installments with maturities as long as 10 years.[1]

Short-term loans as used in this study will refer to those maturities of one year or less, intermediate-term loans (term loans) will refer to those maturities from two to ten years and long-term loans will indicate those maturities for more than 10 years.[2]

Some of the loans which banks made to churches were only for interim financing. Three banks stated that they had made loans to churches for a short period of time until the loans could be transferred to insurance companies. One other bank indicated that it was carrying its loan which was secured by bonds as an accomodation until the bonds could be sold. This was a portion of building bonds remaining unsold at the time the church had to make final settlement with the contractor.

Twelve expansion and repair loans with maturities of more than 10 years were made either by state-chartered banks or trust companies. Only one national bank made a church loan for more than 10 years. This was a $100,000 loan with a contract length of 15 years.

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[1]Jules I. Bogen (ed.), Financial Handbook (3d ed., New York: The Ronald Press Company, 1949), p. 598.

[2]*Ibid.*, p. 604.

Interest Rates

The majority of loans of all types carried interest rates below 5.0 per cent, Table 8, Appendix A. Loans for operating expenses generally had a lower rate of interest than either expansion or repair loans, perhaps reflecting the generally shorter maturities for this type of loan.

The *Financial Handbook* states that "term loans usually carry a moderately higher interest rate than a short-term credit."[1] This was the case with bank loans to churches. There was a general tendency for the interest rate to increase with an increase in the length of the contract through ten years on both expansion and repair loans, Table 9, Appendix A. Interest rates on term expansion and repair loans were over 5 per cent while on short-term loans they were less than 4½ per cent. The data on operating expense loans were insufficient for comparison. Interest rates on long-term expansion and repair loans were generally lower than either of the other maturities. One possible explanation for this is that the average size of long-term loans was generally greater than that of both short-term and intermediate-term loans.

Loan-to-Value Ratios[2]

Data on loan-to-value ratios were somewhat incomplete for a lar-

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[1] *Ibid.*

[2] Loan-to-value ratio means the ratio of the amount of the loan to the value of the property. No definite interpretation can be made of the term "value" as used in this and subsequent chapters. Responding firms (banks, insurance companies and savings and loan associations) offered no explanation of how they arrived at the property values which

ge percentage of the responding banks, Table 8, Appendix A. With such inadequate data, it would be rather hazardous to attempt any firm conclusions with respect to the relationship between these ratios and other contract terms. About all that can be said is that the majority of the loan-to-value ratios reported were less than 40 per cent.

Size of Loans and Contract Terms

Table 10, Appendix A, shows that there was a general tendency for the average rate of interest to decrease with an increase in the size of expansion loans. It also indicates that the average contract length tended to increase with an increase in the size of loans. There was a tendency for the average rate of interest to decrease with an increase in the size of repair loans up to $40,000. Beyond this size the number of loans was inadequate in places and the pattern was indefinite. There seemed to be no definite positive or negative relationship between the size of repair loans and maturities.

Twenty-six of the 35 operating expense loans were for $5,000 or less. The average interest rate decreased with an increase in the size of loans up to $20,000. Beyond this size the number of loans was inadequate for an analysis.

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were shown on their returned questionnaires.

Various statutes have indicated that valuations are based upon a given appraised value. From this interpretation, it may be supposed that reference is made to the price at which the property would sell on the current market. However, church property has little value from this standpoint, except as the land might be sold for its site value. Therefore, there are only two alternatives left for evaluating church property; they are: original cost and reproduction cost. The responding financial institutions gave no evidence as to which method has been used.

The data in this table further indicate that all three types of loans had almost the same average interest rate for loans of $10,000 or less. The preceding statements suggest a possible general relationship between the size of loans and the average interest rates rather than the use of loans and the interest rates. Some variations from this general tendency are to be found, but they may be explained by such factors as: differences in degrees of risk among the different loans, the probability of a regional pattern of interest rates on churches loans as well as other kinds of loans, and the possibility of differences in the year in which the loans were made.

Schedule of Repayments

Practically all church loan contracts required at least one payment per year, Table 11, Appendix A. In fact, 44 per cent of the amount of expansion loans and 43 per cent of the amount of repair loans called for payments at least once each month. The data also indicate that about one-half of the number of operating expense loan contracts made provision for quarterly payments.

The information also showed that expansion and repair loans with repayment schedules calling for monthly payments had longer average maturities than contracts with any other periodic repayment provisions. This suggests the possibility that banks were inclined to ask for shorter check-up periods on the long-term loans than on the short-term loans.

There was a sizeable number of loans for which the data were incomplete, but such figures as were available were retained in all tables to show the size of the unknown element in each classification which

might change the picture considerably for both expansion and repair loans.

Form of Security

An "unsecured" loan as used in this study means a loan for which the borrower has not pledged any specific collateral, but it is one in which the lender is protected only by the general ability and willingness of the borrower to repay. Table 12, Appendix A, includes two classifications of "unsecured" loans: (1) loans which are protected only by a promissory note signed by an officer of the church, and (2) loans made by banks which included provisions for the personal endorsement of the note by responsible members of the church. A "secured" loan means one in which the lender is protected by the general ability and willingness of the borrower to repay and by the pledge of some asset which may be sold in case of default on the loan.[1]

The data in Table 12, Appendix A, reveal that the majority of expansion and repair loan contracts included provisions for either a mortgage on the church property, or both a mortgage and personal endorsement of the note by responsible members of the church. They also show that slightly more than one-third of the number of expansion loans and about one-half of the number of repair loans were made to churches on an unsecured basis. Quite a number of loans of this use were made simply on promissory notes.

About one-third of the number of operating expense loans did

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[1] Charles L. Prather, Money and Banking (Chicago: Richard D. Irwin, Inc., 1949), p. 182.

not show any indication of the type of security. Twenty of the 35 operating expense loans were made to churches on an unsecured basis. Only one such loan required as security a real estate mortgage.

Lending on an unsecured basis generally requires rather intimate and up-to-date knowledge of the organization making the application for a loan; therefore, the fact that banks have made a rather substantial number of church loans on this basis indicates, in general, that they have been rather close to the situations involved. Such lending practices on church loans are also probably due to two other important factors: (1) church loans may be classified as loans on single-purpose property, and (2) church loans which are secured by mortgages on the property include possible public relations problems if the banks should find it necessary to foreclose. Several banks have stated that they would find it difficult to foreclose a mortgage on church property, and if they did there would be the question of what to do with the property once they had it. They have also stated that such action would undoubtedly carry with it sufficient bad public relations as to be of ultimate doubtful value to the bank.

The information in Table 12, Appendix A, also indicates that expansion and repair loans which were unsecured had much shorter maturities than those which were secured. The only operating expense loan which was secured carried a longer maturity than the 20 unsecured loans.

Banks further reported that six loans were made to churches which were secured by bonds. Two expansion loans were made in this manner. One was a construction loan for $26,000 and was made by a bank as an accommodation to the church until the bonds could be sold. This loan

was further protected by a demand promissory note and personal endorsements. Information on the three repair loans secured by bonds was insufficient to determine just why these had been made. The only significant features discernable were that all of them were made on a short-term basis and all were very small in amount. Information was also rather meagre on the $15,000 operating expense loan secured by bonds.

Loans were also protected in other ways. The $1,015,000 expansion loan was guaranteed by the Board of American Missions of the United Lutheran Church. A $403 repair loan was secured by the pledge of securities as collateral, while two operating expense loans totaling $420 were secured by the pledge of insurance policies.

Denominations

Bank loans to churches were definitely representative of the majority of the largest denominations in the United States, and many of the smaller ones as well. Thirty-nine different denominations were represented in the loan sample from the banks, and it is possible that several more were represented in the 95 loans for which no denomination was indicated (Table 6, page 78). No attempt was made in the survey to determine the division of loans on the basis of race. However, some banks did indicate that loans had been extended to both Negro and white congregations. The 95 loans for which no denomination was indicated constituted about one-fifth of the total number of loans and slightly more than two-fifths of the total amount of loans made to churches by banks. Therefore, the following statements will be made with the preceding comment in mind.

TABLE 6

SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY DENOMINATION, JANUARY 1, 1946–JANUARY 1, 1952

Denomination*	No. of Loans	Percentage of total number	Amt. of Loans	Percentage of total amount
Baptist	73	17.4%	$1,965,056	10.8%
Methodist	50	11.9	674,631	3.9
Catholic	31	7.4	3,613,480	19.8
Lutheran	24	5.7	1,669,070	9.2
Presbyterian ..	21	5.0	617,062	3.6
Episcopal	17	4.1	224,921	1.5
Congregational	16	3.8	76,180	0.6
Jewish	6	1.4	245,500	1.5
Christian	6	1.4	244,800	1.5
Other Protestant	81	19.3	679,003	3.8
Not indicated .	95	22.6	8,542,468	43.8
Totals	420	100.0	18,552,171	100.0

*Only those denominations were listed separately which had made five or more loans. The others were all grouped under the classification of other protestant churches.

Among the loans for which denominations were indicated, the largest total number of loans was made to churches of the Baptist denomination while the largest total amount of loans was made to churches of the Catholic denomination. Table 13, Appendix A, shows that Catholic churches received the largest amount of expansion loans while the largest number of expansion loans was made to Baptist churches. Although churches of the Methodist denomination received the largest number of repair loans, churches of the Christian denomination received the largest amount of repair loans. Methodist churches also received a larger number of operating expense loans than any other single denomination, but the total amount of these loans was very small, Table 14, Appendix A.

On the other hand, Catholic churches with only a very small percentage of the total number of operating expense loans received 80 per cent of the total amount of such loans.

The analysis in Table 15, Appendix A, indicates no clearly defined relationship between the average size of loans, the average interest rates and the average contract lengths when the loans were classified according to the recipient denomination. The largest average size of expansion loans ($132,612) was made to churches of the Catholic denomination, while the second largest average size ($110,100) went to churches of the Lutheran denomination. Loans to Lutheran churches were about twice the average size of loans made to churches of any other Protestant denomination. Factors other than the size of loans and contract lengths probably exerted some influence on the interest rates charged on church loans. One factor which undoubtedly exercised some influence on interest rates was the time the loans were made within this five-year period. At least two responding banks indicated that the interest rate charged on church loans was whatever the current lending rate was at the time the loan was made. Still another factor with some weight in this matter was the ability of some denominations to advance additional protection for loans through the pledging of the assets and income of several churches rather than the assets and income of only one church. In fact, one banker stated that this additional protection places a very great deal of worth behind such a loan.

An attempt was made to analyze the possible relationship between the interest rates paid on repair and operating expense loans and other contract terms; however, the number of such loans made to some denomina-

tions was rather small and no definite patterns could be established.

Geographical Distribution of Loans

Number and Amount of Loans

Information contained in Table 16, Appendix A, indicates that the responding banks were rather widely distributed geographically. A larger number of questionnaires was sent to banks in the North than to banks in either of the other two regions, thus, it was not surprising that banks in this region made a larger total number and amount of loans to churches than banks in the other regions. However, it is signifioant that banks in the South made the largest average number of loans while banks in the West made the smallest average number of loans. The number of banks making 5 loans or less increased from the West to the North to the South, Table 17, Appendix A. In fact, there were 7 banks in the South, 6 in the North and only 1 in the West that made 10 loans or more.

Another significant feature of the geographical distribution of bank loans to churches was the higher average size of loans and average amount of loans per bank in the South than in either of the other two regions, Table 16, Appendix A. These two items were lower in the West than in the North. Earlier in this chapter it has been indicated that the small banks made the small loans while the large banks made the large loans; therefore, it was not surprising to find that there was a larger percentage of Southern banks in the sample with deposits of $100,000,000 and over than in either of the other two regions (Table 7, Page 81). It is also interesting to note that firms in this region had a larger percentage of loans $100,001 and over than firms in either of the other two regions (Table 8, Page 81).

TABLE 7

PERCENTAGE DISTRIBUTION OF 105 CHURCH-LOAN BANKS IN THE UNITED STATES, CLASSIFIED BY BANK LOCATION AND BANK DEPOSITS, JANUARY 1, 1946-JANUARY 1, 1952

Bank Deposits ($ millions)	Geographical Location			All Regions
	North	South	West	
Less than 5.0 ..	56%	66%	59%	58%
5.0 to 25.0	15	13	38	19
25.0 to 100.0 ..	15	4	2	10
100.0 and over .	14	17	1	13
Totals	100	100	100	100

TABLE 8

AVERAGE INTEREST RATES FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY BANK LOCATION AND AMOUNT OF LOANS, JANUARY 1, 1946-JANUARY 1, 1952

Amount of Loans	Geographical Location					
	North		South		West	
	No. of Loans	Average Interest Rate	No. of Loans	Average Interest Rate	No. of Loans	Average Interest Rate
$ 5,000 or less ..	117	4.6%	56	6.0%	48	5.4%
5,001 - 10,000	26	4.0	7	4.7	13	5.1
10,001 - 20,000	20	3.7	10	4.5	3	5.0
20,001 - 40,000	14	3.7	19	4.8	2	3.5
40,001 - 60,000	11	3.6	6	4.3	1	5.0
60,001 - 80,000	3	4.5	8	5.0	..	...
80,001 - 100,000	6	3.5	6	5.0	1	4.5
100,001 - 200,000	5	3.3	33	4.6	..	...
200,001 - and over	5	3.3	..	...	..	...
Totals	207	...	145	...	68	...

Contract Terms

It was also found that the average interest rate was generally lower in the North for loans of all uses than in either of the other two regions (Table 8, page 81). As a matter of fact, there seems to have been a general tendency for interest rates to increase from one Federal Reserve District to another as one moves either southward or westward from the Boston Federal Reserve District, Table 16, Appendix A. This suggests the possibility of a regional pattern of interest rates on church loans. Investigation of other contract terms revealed that banks in the North made a larger percentage of both the number and amount of expansion and repair loans for an interest rate of less than 5.0 per cent than did banks in either the South or West (Table 9, page 83). At the same time, contract lengths were also generally shorter on loans made by banks in the North than those made by banks from the other two regions. However, loan-to-value ratios on loans made by the former group of firms were not as low as the ratios on those loans made by the latter group of firms. This indicates a possible direct relationship between the interest rate paid on loans and the length of maturities, but no such relationship between the interest rate and the loan-to-value ratios. Such variations as did exist in this general pattern are possibly due to such things as: differences in denominations to which the loans were made, differences in the time the loans were made, and differences in the amounts of loans. This particular analysis could not be expanded to include operating expense loans because the number of loans in each classification was too few for any definite conclusions.

TABLE 9

PERCENTAGE DISTRIBUTION OF THE NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY BANK LOCATION, USE OF LOANS AND CONTRACT TERMS, JANUARY 1, 1946-JANUARY 1, 1952

Contract Terms	Geographical Location					
	North		South		West	
	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans
			Expansion Loans			
Interest rate 4.9% or less	68%	92%	1%	24%	5%	56%
Contract length 1 yr. or less ...	53	55	36	17	46	18
Loan-to-value ratios, 39% or less	30	23	57	77	44	42
			Repair Loans			
Interest rate 4.9% or less	56%	85%	11%	78%	15%	18%
Contract length 1 yr. or less	71	53	36	16	23	25
Loan-to-value ratios, 39% or less	28	42	11	17	53	70

Schedule of Repayments

Bank requirements for regular periodic payments on church loans were about the same for all regions and for all three principal types of loans. If the "not indicated" classification is omitted from considerations, it will be noted from the data in Table 18, Appendix A, that principal emphasis was placed upon payments either every month or every

quarter in all regions and on all types of loans.

Denominations

Several important features of bank loans to churches as they pertained to the denominations which received the loans have been discussed above. Only those features directly concerned with the regional analysis and denominations will be made here.

Table 20, Appendix A, shows that some denominations had larger average size loans in one region than in another. They were as follows: the Congregational, Lutheran, Catholic, Jewish and Other Protestant denominations in the South; and only the Episcopal denomination in the West. It is of some significance that with two exceptions the average interest rate was lower on loans made in the North than on loans made in either of the other two regions, and that it was generally higher on loans made in the West. One exception was found in loans received by churches of the Christian denomination, but this group of churches received only a very small number of loans in each region. The other exception to this pattern was in loans to Presbyterian churches which paid a higher interest rate on loans in the North than in the South. However, the rate paid in the North was only 0.1 per cent higher than that paid in the South. The probability of a regional pattern of interest rates becomes even more apparent in view of the preceding statements.

Percentage of Total Construction Cost Required of Churches

Banks were asked the question: "Is there any definite percentage of the total construction cost which you think a church should have on hand before you would consider making the loan?" Fifty-four of the

105 banks stated that they thought churches should have some definite percentage of the total construction costs on hand before applying for a loan (Table 10, page 85). The range of percentages of total construction costs required to be on hand tended to narrow with an increase in the group size of banks. This suggests that the larger banks were a little more stringent in this particular requirement than the smaller banks.

TABLE 10

PERCENTAGE OF TOTAL CONSTRUCTION COST REQUIRED TO BE ON HAND OF CHURCHES FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY BANK DEPOSITS, JANUARY 1, 1946-JANUARY 1, 1952

Item	Bank Deposits (in millions)				All Banks
	Less Than 5.0	5.0 to 25.0	25.0 to 100.0	100.0 and Over	
Should a Definite Percentage Be Required?					
No	10	3	0	4	17
Yes	32	9	7	6	54
Not indicated .	9	8	4	3	34
Totals	61	20	11	13	105
Average and Range Percentages Required					
Average	48%	49	47%	47%	47.7%
Range	25 to 75	26 to 67	20 to 60	30 to 60	20 to 75

Defaults on Church Loans

Banks were also asked the question: "Have you had any defaults on church loans since January 1, 1946?" One bank which gave an affirmative answer to this question stated that two loans to churches were about 60 days past due on small amounts. Ten other loans were also experiencing slow payments. These 12 loans constitute about 2.1 per cent of the total number of loans made to churches during the five-year period. On the other hand, several banks stated that a number of church loans were being paid out in advance.

Loans Declined

The data in Table 21, Appendix A, show that about one-fourth of the 113 of the banks which made loans to churches during this five-year period also declined a number of church loan applications presented to them. Another one-fourth of these banks did not supply any information on this point. The balance of the 113 banks indicated that they had approved all church loan applications made to them from January 1, 1946 to January 1, 1952.

Only 19 of the 26 banks which had declined church loans during this period reported the specific number of applications turned down. These 19 banks constituted about 17 per cent of the total number of church-loan banks and the number of loans which they turned down were about 10 per cent of the total number of loans made by all banks. It is worth mentioning that the average number of loans made per bank for these 19 banks was 8.0, while the average number of loans made per bank for all banks was 5.0. The reasons why banks declined church loans

were probably many and varied. One bank commented that one loan had been declined because they could not see the need for another church at the time the loan application was made and they could not get any good personal endorsers on the note. Another reported a loan application for $30,000 declined because the terms the church requested and the security offered were such that the bank did not feel it could approve the loan. A third bank stated that one church group felt that the interest rate being asked on the loan was too high. The church secured the loan from another source at a more favorable rate.

No-Loan Banks

Information in Table 3 (page 59) has indicated that 102 of the 215 responding banks reported that they had made no loans to churches from January 1, 1946 to January 1, 1952. Six of the 102 banks stated that they had declined 12 church loan applications, Table 22, Appendix A. Seventy-three of the no-loan banks indicated that they had declined no church loan applications, thus giving some evidence of a scarcity of requests for this type of lending.

In an effort to find a reason for this scarcity, an analysis was made to determine a possible relationship between the population changes (1940 to 1950) for the cities in which the banks were located and the lack of demand for church loans. It is interesting to find that 71 of the 102 no church-loan banks were in cities which experienced a population increase of less than 10 per cent from 1940 to 1950. This suggests a possible influence of population change on bank loans to churches. Further confirmation is given this tendency by the fact that

no church loan applications had been submitted to 56 of these 71 banks during this five-year period.

Comments from a few of the no church-loan banks were typical of several others:

> We have no church loan inquiries.

> We have had no requests for church loans.

> We have no loans to churches on our books, and as far as I know we have never been requested to consider such applications.

> We have made no loans to churches of any denomination and have had none requested for twenty or more years. There is no demand for such loans in this area.

Another reason for a number of banks not making loans to churches was because they have adopted a general bank policy of declining this type of application. Comments from some of the bankers themselves were probably more to the point.

> We limit our activities to strictly commercial banking.

> Our policy has been to decline any applications for church loans and we have made none direct. We invite applications from responsible individuals for loans, the proceeds of which are to be donated to any church, but the church does not enter into the transaction as far as we are concerned.

> Our experience indicates that church loans are not proper commercial bank assets. They are generally taken under pressure and for good will purposes. In case of default, there is nothing that can be done, but wait the pleasure of the congregation. Forced collection is more damaging to the bank than declining the loan. However, we have made church loans in the past and might do so in the future. In the two cases listed as declined in this report, the loans were not actually declined. We convinced the trustees that it could be a better solution of their problem to put on a drive and raise the cash for the purposes in mind. They were successful.

At times, it seems that bank requirements were too stiff for the churches. Another bank replied:

> Application was made for a large loan by the ... Church for old bills and repairs. Our requirements were too strict and the church obtained the loan from a bank in the Copper Country at a lower rate of interest and with less "red tape."

Factors Influencing Bankers' Decision to Make Church Loans

The loan sample revealed that banks used many and varied combinations of factors in deciding whether or not to extend loans to churches; therefore, it was decided that a simple tabulation of the number of times each factor was used would be the most accurate and the least complex.

The following four factors were listed on the questionnaire: (1) the general character and capacity of the church, (2) personal endorsement of the note, (3) the ratio of the operating expenses to the income of the church, and (4) the value of church property. Banks were also asked to report on any "other factors" used in making decisions with regard to the extension of loans to churches.

The general character and capacity of the church was used a larger percentage of times by bankers in making decisions about church loans than any other single factor (Table 11, page 90). This factor seemed to gain in importance, i.e., the percentage of times used, as the use of loans moved from expansion to repairs to operating expenses. The responding firms indicated that the second most important factor was the value of church property. This factor declined in importance as the use of loans moved from expansion to repairs to operating expenses. Inasmuch as expansion loans to churches are more nearly akin to ordinary real estate loans than either of the other types, it was to

be expected that property values would play a more important role in this type of lending.

TABLE 11

DISTRIBUTION OF FACTORS INFLUENCING BANKERS' DECISIONS TO MAKE CHURCH LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS, JANUARY 1, 1946-JANUARY 1, 1952

Factor	Use of Loans: Expansion		Repairs		Operating Expenses		Other Uses		Totals	
	No. of times factor was used		No. of times factor was used		No. of times factor was used		No. of times factor was used		No. of times factor was used	
Character and capacity	130	38%	48	45%	20	71%	4	66%	202	42%
Personal endorsement	56	16	28	26	5	18	1	17	90	19
Ratio: operating expenses to income	49	14	7	7	0	0	0	0	56	12
Property value ..	94	28	19	18	0	0	0	0	113	23
Others	11	4	5	4	3	11	1	17	20	4
Totals	340	100	107	100	28	100	6	100	481	100
No. loans not indicating factor used	16		38		9		2		65	

Personal endorsement of the note by responsible parties within the church was also given a prominent place in all types of loans. It was considered more important by banks in making repair loans to churches than in making any other type of loan.

The questionnaire was designed with the view of ascertaining just how important the ratio of operating expenses to the income of the church was in influencing decisions with regard to church loans. This was done

after the study of bank loans to churches in the State of Florida was completed, and following personal interviews with a number of bankers on problems encountered in lending to churches. These two approaches to the general problems of church financing conveyed the impression that banks, in general, were concentrating more upon the security available for sale in case of default on loan repayments and ultimate foreclosure, than upon the financial ability of the churches to meet their commitments.

Evidence obtained in this nation-wide loan sample substantiated this earlier impression. On expansion loans, the general character and capacity of the church, personal endorsement of the note by responsible parties, and value of church property were given first, second and third places of importance, respectively, in influencing bankers' decisions as to whether or not to make church loans. Bankers rated these same three factors as most important on repair loans, while on operating expense loans only the first two were listed.

Therefore, it is quite evident that the ratio of a church's operating expenses to its income rated only fourth place in importance in influencing bankers' decisions to make church expansion and repair loans, and this ratio was of no consequence in making operating expense loans. However, those banks using this ratio in evaluating church loan applications emphasized its importance to them. Several banks added such comments as these:

> The costs of construction must be directly related to income available for payments.

> During this period of time we have declined several church

loans either because we thought the congregation was taking on a project far in excess of their ability to pay, or, in one or two cases, because the membership was so small we felt our loans would not be secure.

As stated, we check the character and capacity of the membership, the budget of the church, the amount to be set aside for a building fund, the number of members (increase or decrease), value of church property for future development, and trend of population.

Naturally, a budget is required to see that the church is not obligating itself beyond its ability to repay and has a supporting membership.

Other financial factors were also taken into consideration by banks in extending loans to churches. Some of them, as indicated on the questionnaires, were as follows:

Many members are also customers of the bank.

Members of the church raised the same amount.

Repayment program is good.

Good trustees of the church.

Church has a large membership.

They have a good preacher.

In making this type of loan, we consider the type of men back of paper and ability to pay.

Our most satisfactory loans are to those corporate organizations who have ample paying ability and responsibility. The district officer sees to it that the individual churches, under their supervision, affairs are kept in satisfactory condition. This relieves us of the detailed transactions with the various

individual churches and makes for responsibility, paying ability and the satisfactory servicing of our loans.

However, financial considerations were not the only factors which influenced bankers to make loans to churches. Several bankers weighed both financial and non-financial aspects in considering such applications. Such comments as these were made:

> We consider good paper if properly serviced and good business for bank to customer relationship.

> Generally speaking, aside from the community service, we feel that this is an excellent medium for bringing our services to the attention of the type of persons we seek as customers.

> In the past our bank has made first mortgage real estate loans to churches and we are not opposed to this type of collateral as security. In reviewing the application for a church loan, we assure ourselves of the financial responsibility, integrity, and standing of the congregational members in our city. We also wish to be assured that factions do not exist among various groups in the congregation with conflicting views about contemplative constructions, additions, or contrary opinions concerning the advisability of entering into the indenture. Many of our loans have been predicated entirely upon the endorsements and/or guaranties of prominent citizens who have membership in the particular church requesting credit.

> This bank feels that it has an obligation to the churches of the community.

In view of the skepticism in financial circles toward church loans, it was surprising to find that so few responding banks had adopted a policy of not making loans to churches. What was even more astonishing was the fact that a number of banks, which stated that their general bank policy was not to make church loans, had made a few loans to churches in exceptional cases. Some favorable and unfavorable comments about church loan experiences follow:

It has been our policy to take care of all requests from churches when possible and so far we have not had to decline any of them.

We do not aggressively seek this type of loan since the period of the "thirties" found many southland area banks holding a trust deed note on church property upon which they could not foreclose due to bad public relations and due to the fact that the buildings are usually strictly single-purpose. However, we have, during this period of full employment made the loans listed on the other side.

We too are cautious about church loans, boards change as well as ministers who are the moving spirits in a financial way as well as other ways. We will always give careful consideration to church applications.

It is our conviction that it is a responsibility of the banks to consider the making of church loans to meet the reasonable requirements of the locality. We are of the opinion that in most cases adequate needs can be met and an investment can be made by the bank on a profitable and basically sound proposition. In my experience as a loan officer for 15 years, I have found some very pleasant and profitable dealings with the churches. We do not make all loans applied for and neither is our bank heavily involved in this type investment. We have suffered no losses and we have no defaults at this time neither do we anticipate any defaults on any loans we have.

We have been making church loans for 40 years and so far have not had a loss. Most of our loans are small and on an annual basis.

Our directors definitely do not like church loans either secured or unsecured, however our experience has been good. We have never had a slow church loan.

We have made no church construction loans. Several have been declined on policy. A few loans to churches for other purposes have worked out well.

We have rejected a number of loan applications on church properties. Generally speaking our experience has shown that church loans are not satisfactory. The groups to whom we would

lend, do not need to borrow, and those who request to borrow have little or no equity in the property offered as security.

Although non-financial factors have been taken into consideration by some banks in deciding whether or not to make loans to churches, the primary emphasis has been placed upon strictly financial factors in the vast majority of church loan applications.

Relationship Between Church Loans and Other Types of Real-Estate Loans

An essential characteristic of real-estate finance is the mortgage. When a bank grants a loan, for either the purchase or construction of urban real estate, the borrower is invariably required to give the lender a mortgage on the property as security.[1]

Church loans and conventional real-estate loans were somewhat alike in that the majority of loans of the former type carried provisions for either a mortgage on the church property or both a mortgage and personal endorsement of the note by responsible members of the church. However, they were unlike in that 44 per cent of the number and 37 per cent of the amount of all types of loans made to churches were on an unsecured basis.

A recent survey of urban mortgage financing gives additional general characteristics of real estate loans which were made by a sample of commercial banks throughout the United States. These general characteristics will first be summarized, and then compared with the results found in the present study of bank loans to churches.

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[1] Raymond P. Kent, Money and Banking (New York: Rinehart Company, 1947), p. [illegible]57.

This survey of urban mortgage financing indicated that 67 per cent of the amount of loans were made on one- to four-family dwellings, while the balance were made on "other classes" of property, including loans to churches. Most of the one- to four-family dwelling loans were for less than $10,000. The average size of loans ranged from $3,400 for banks with small loan portfolios to $5,000 for banks with large loan portfolios. Eighty per cent of the amount of loans on "other classes" of property were for more than $20,000.[1]

The question of whether or not bank loans to churches were made on dwellings was not anticipated when the questionnaires were sent to the banks. Therefore, a comparison of this aspect of the two types of loans would probably not be accurate. About all that can be said is that banks volunteered the information that 9 loans totaling $27,263 were made to churches for ministers' homes. Although the majority of the bank loans to churches were under $10,000, the number of such loans in this size classification was only about two-thirds the number reported in the Behrens study. The average size of church loans made by the smallest group size of banks (deposits of less than $5,000,000) was surprisingly close to the average size of real estate loans made on one- to four-family dwellings ($3,440 to $3,400). Beyond this group size of banks, the average size of church loans moved farther and farther away from those in the other study. In fact, the largest average size church loan was approximately 23 times the size of the largest average size loan on one- to four-family properties. The amount of church loans

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[1] Behrens, op. cit., p. 39.

above the $20,000 size classification was strikingly similar to that reported for "other classes" of property in the Behrens report. Eighty-eight per cent of the amount of church loans was above the $20,000 size classification.

Contract terms reported by both surveys were quite varied. The survey on conventional real estate loans indicated that most insured loans carried contract lengths for 20 years or more, loan-to-value ratios for 80 per cent and over, and interest rates ranging from 4.0 to 4.9 per cent. Non-insured dwellings had contract lengths mainly under 15 years, loan-to-value ratios from 40 to 69 per cent and interest rates from 4.0 to more than 6.0 per cent.[1]

Contract lengths on bank loans to churches were quite different from those reported in the foregoing paragraph. Less than 10 per cent of the expansion and repair loans to churches had maturities of more than 10 years. Loan-to-value ratios for church loans were more nearly like those for the non-insured loans in the Behrens survey, but they were even lower than the ones reported for that group. Most of the amount of church expansion loans carried a lower interest rate than any of the groups of conventional real estate loans.

It was also found in the survey of urban mortgage financing that, regardless of the size of a bank's holdings of urban mortgage loans, most of the loans made on one- to four-family dwellings provided for a monthly schedule of repayment. In fact, approximately 90 per cent of the loans on those dwellings included this requirement, while

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[1] *Ibid.*, p. 43.

about two-thirds of this percentage of loans on "other classes" of property had this provision in the loan contract. A small percentage of the loans reported in this survey required quarterly repayments.[1]

Although banks did not require as high a percentage of monthly repayments on church loans as were reported in the preceding paragraph, the percentage of loans on which they required either monthly or quarterly repayments was somewhat closer to that required of loans on "other classes" of property in the Behrens survey.

Non-insured loans made on one- to four-family dwellings revealed regional differences in interest rates. The highest interest rates were paid on loans in the Mountain and Pacific regions. Interest rates on all other classes of property were less standardized due to the heterogeneous nature of the properties.[2] Inasmuch as the loans made to churches were somewhat homogeneous in nature, it was not surprising that an even more clearly defined regional pattern of interest rates was in evidence. Not only was it generally found that interest rates were highest in the West, including the Mountain and Pacific areas, but it was also evidenced that interest rates were second highest in the South and lowest in the North.

Therefore, it may be stated that bank loans to churches were in almost all points different from bank loans on other types of real estate loans. Even though a majority of church loans carried provisions for a real estate mortgage still there were a considerable number made

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[1] Ibid., p. 41.

[2] Ibid., p. 47.

on an unsecured basis. No doubt, this reflects the single-purpose characteristic of church loans. For church loans, the average size of loans was higher, the maturities were shorter, the interest rates were lower, the loan-to-value ratios were lower and amortization requirements were less stringent, than those required on other types of urban mortgage loans made by banks.

Relationship Between Church Loans and Consumption Loans

An analysis was also made of the relationship between church loans and consumption loans. It has been stated that the borrower must find some independent means for repayment inasmuch as the use to which a consumption loan is put brings no direct financial returns. Therefore, a bank must rely upon the integrity of the borrower and upon his income-earning capacity in making consumption loans.[1]

Some people have argued that the construction of new church buildings or the enlargement of old ones brings in more people, and that these additional persons enhance the income of the church. Some few cases can perhaps be cited in favor of this argument. Church loans would not be similar to consumption loans in such cases. However, where such action did not result in additional income for the church, the two kinds of loans would be similar.

The analysis in the preceding pages of this study seems to indicate that banks have relied rather heavily upon unsecured notes or

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[1] Kent, op. cit., p. 253.

personal endorsements along with real-estate mortgages for their security on church loans. Along with this should be included the fact that the general character and capacity of the church was given a rather prominent place as a factor influencing bankers' decisions as to whether or not to make church loans. This indicates that banks have relied upon the integrity of the borrower and his income-earning capacity, and church loans are similar to consumption loans in this respect.

Summary

In view of the skepticism in banking circles toward church loans, it was frankly surprising to find that so many banks had made loans to churches from January 1, 1946 to January 1, 1952. The outstanding features of bank loans to churches are summarized in the statements below.

First, in spite of the alleged skepticism toward this type of lending, banks have continued to make loans to churches. Fifty-two per cent of the responding banks made 568 loans to churches totaling over $18,000,000. It was also interesting to find that 71 per cent of the 102 no church-loan banks had simply received no applications for loans from churches.

Second, non-financial factors seemed to play only a minor part in affecting bankers' decisions about making loans to churches. Only a few banks reported that they made church loans because they felt that this was part of their obligation to the churches of the community, or for similar reasons.

Third, the principal factors used by bankers in deciding whether

or not to make church loans were primarily financial in nature. The general character and capacity of the church, the personal endorsement of the note by responsible members within the church, the value of the church property and the ratio of operating expenses to the income of the church were listed, in that order, as the most important factors considered by bankers in passing on church loan applications. There is certainly no question that all of these factors are important in evaluating church loan applications. It is probable that banking regulations have had their influence on the importance given mortgages on church property. Personal endorsements place additional assets and earning power behind the church, and probably help to instill in the minds of some of the more substantial members the importance of the church meeting its obligation at the bank. However, a church loan secured by a real-estate mortgage or supported by personal endorsement is filled with potential bad public relations for the bank in case of default on the loan by the church. Therefore, it seems that the general character and capacity of the church is due an even more important position in evaluating church loan applications than has been indicated by the information in this chapter. The lack of emphasis given the ratio of operating expenses to income of the church would also seem to indicate that bankers, in general, have placed more importance on the security they would have in case of default than upon the income available for making repayments on the loan.

Fourth, the vast majority of bank loans to churches were for expansion. There was some indication of a direct relationship between the rate of population increase for cities in which the banks were lo-

cated and the ratios of amounts used for expansion to amounts used for repairs and operating expenses. Banks in cities which had relatively large percentage increases in population tended to lend a larger proportion of their total amounts for expansion than banks in cities which had relatively small percentage increases in population.

Fifth, contract terms on bank loans to churches for expansion and repairs were mostly different from bank loans made on other types of real-estate loans. Even though a majority of church loans carried provisions for a mortgage, there were still a considerable number which were on an unsecured basis. This undoubtedly reflects the single-purpose feature of church loans. In general, the average size of loans was higher, the maturities were shorter, the interest rates were lower, the loan-to-value ratios were lower and the schedule of repayments were less stringent on loans to churches than on other types of urban mortgage loans.

Sixth, most of the larger denominations in the United States were represented in the loan sample. Banks reported loans to 39 different denominations. Baptist churches received the largest total number of bank loans, while Catholic churches received the largest total amount of loans. The evidence also indicated that, in general, lower rates of interest were charged on loans to churches by banks in the North than by banks in either of the other two regions.

Seventh, all three broad geographical regions of the United States were well represented in the loan sample. Furthermore, there seems to have been a rather clearly defined regional pattern of interest rates with the lowest rates in the North, the next lowest in the

South and the highest in the West.

Eighth, most banks of all sizes and in all regions thought that churches should have approximately one-half of the total construction cost on hand before making an application for a bank loan. Banking regulations fixing the maximum loan-to-value ratios at either 50 or 60 per cent, depending upon other provisions of the loan contract, have undoubtedly influenced this requirement.

Ninth, banks turned down a number of church loan applications. Approximately 10 per cent of the loan applications made to the 113 church-loan banks were declined. Six of the 102 no church-loan banks reported that 12 church loan applications were declined.

Tenth, the analysis in this chapter seems to indicate that the current attitude of bankers toward church loans is one of cautious optimism.

CHAPTER III

LOANS TO CHURCHES BY LIFE INSURANCE COMPANIES,[1] 1946-1952.

Introduction

Life insurance companies, along with banks, faced a perplexing problem during the depression of the early thirties when a number of churches became unable to meet principal and interest payments on their loans. Although many churches did meet loan repayments promptly, there were still a considerable number of churches which defaulted on loans which had been secured from insurance companies. The attitude adopted by some church members toward these financial obligations resulted in the growth of skepticism among mortgage loan officers toward loans to religious organizations.

The question of just what policy insurance companies should adopt with respect to church financing has been a problem which has doubtless confronted many mortgage loan officers since the depression of the 1930's. This problem has become important since the end of World War II as churches throughout the nation have applied for large numbers of loans from insurance companies in order to expand plant and

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[1] Unless otherwise indicated, all data used in this chapter have been taken from the questionnaires returned by the 101 insurance companies responding to the church loan survey.

equipment.

One purpose of this survey of life insurance companies was to determine whether or not such firms have continued to make loans to churches in view of the unfavorable experiences which some of them had with this type of lending during the "depression" years of the 1930's. The results of the survey indicate that the answer to this question is definitely an affirmative one. Another purpose of the survey was to secure information to resolve the following questions: (1) How many insurance companies made church loans from January 1, 1946, to January 1, 1952? (2) How many loan applications were approved and how many were declined? (3) What use was made of the loans by the churches? (4) What were the contract terms of these loans? (5) What percentage of the total construction cost did the insurance companies require the churches to have on hand in the form of cash before considering the loan application? (6) What factors influenced loan officers' decisions as to whether or not to make the loans to churches? (7) What seems to be the prevailing attitude of insurance companies toward church loans? These and related questions will be answered in the following pages.

The survey of loans to churches by life insurance companies in the United States was started during the early half of 1952. Three hundred and nine companies with total assets on December 30, 1950, of $63,230,480,000, or 98.8 per cent of the total assets of all U. S. life insurance companies, were selected for the survey. This group of firms included all of the companies listed in a current directory.[1]

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[1] Polk's Bankers' Encyclopedia, The Bank Directory (114th ed.; Nashville: R. L. Polk & Co., 1951), pp. 1-L to 64-L.

Companies were requested to report on all loans made to churches from January 1, 1946 through January 1, 1952. Table 1, Appendix B, shows that 101 companies responded to the questionnaire, or about 33 per cent of those sampled, and that they held approximately 63 per cent of the total assets of all U.S. insurance companies.

A survey of urban mortgage financing by life insurance companies, published under the authorship of R. J. Saulnier, covered 30 large life insurance companies in the United States which held about 85 per cent of the total amount of urban mortgage loans of all life insurance companies.[1] Responses were received from 24 companies which held about 65 per cent of the total amount of urban mortgage loans.

The survey of church loans did not elicit as high a percentage of responses as the survey of urban mortgage financing; however, the church loan survey covered a wider range of companies and the responding companies held about 63 per cent of the total assets of all life insurance companies, while the responding companies of the latter sample held about 65 per cent of the total amount of urban mortgage loans of all companies.

The data in Table 1, Appendix B, also show that the response ratio was higher from the medium and large-size companies than from the small-size companies, and that the percentage of responding companies making loans to churches increased with an increase in the group size.

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[1]R. J. Saulnier, Urban Mortgage Lending by Life Insurance Companies (New York: National Bureau of Economic Research, 1950), p. 37.

Financial support for the study was received from the Association of Reserve City Bankers, the Life Insurance Investment Research Committee and the Rockefeller Foundation.

Number and Amount of Loans

Table 1 (page 107) shows that 30 insurance companies reported that 365 loans had been made to churches during the survey period. The data in this table further indicate that 277 of these loans included detailed information, and that the total amount of loans made to churches was $15,509,523.

TABLE 1

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 30 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY SIZE OF COMPANY ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Item	Company Assets ($ millions)			All Companies
	Less Than 100.0 (Group 1)	100.0 to 500.0 (Group 2)	600.0 and Over (Group 3)	
No. of companies which made loans to churches	20	7	3	30
No. of loans made	149	184	32	365
No. of companies which made loans on which information can be tabulated	18	7	3	28
No. of loans made on which information can be tabulated	91	154	32	277
Amount of loans	$3,720,400	$7,939,123	$3,850,000	$15,509,523

Although there were twice as many companies reporting loans to churches in Group 1 (assets of less than $100,000,000) as there were in the other two groups, they made only three-fourths as many loans as the other two groups combined. Slightly more than one-half of the total number of loans made by all companies were reported by the firms in Group 2 (assets from 100,000,000 to 500,000,000). This indicates that

the average number of loans made per company for Group 1 was lower than that for either of the other two groups, and that it was higher for Group 2 than for either of the other two groups.

This is substantiated by information in Table 2 (page 109) which shows that 12 of the 16 firms reporting five loans or less were in Group 1. Further validity is given this statement by the data in Table 3 (page 110) which shows that the average number of loans per company for Group 1 (assets of less than $100,000,000) was about three-tenths of that for Group 2 (assets from $100,000,000 to $600,000,000) and seven-tenths of that for Group 3 (assets of $600,000,000 and over). The average number of loans per company for Group 2 was more than twice that shown for either of the other two groups.

The total amount of loans reported by companies in Groups 1 and 3 was approximately the same, and this amount was about one-half that reported by the companies in Group 2 (Table 1, page 107). In view of the fact that the number of firms in each group decreased with an increase in the group size, the preceding statement would indicate a tendency for the average amount of loans per company to increase with an increase in the group size of companies. Table 3 (page 110) confirms this tendency, but it also shows that the difference between the average amount of loans per company was not as great for Groups 2 and 3 as it was for Groups 1 and 2. This is due to the fact that Group 2 had twice as many companies which made approximately twice the total amount of loans as Group 3. The data in this table also show that the average size of loans increased with an increase in the group size; thus indicating a general tendency for the small companies to make the small loans and the large companies to make the large loans. This tendency is more clearly shown by the frequency distribution of the number of loans in each loan size classi-

TABLE 2

NUMBER OF LOANS PER COMPANY FOR A SAMPLE OF CHURCH LOANS MADE BY 30 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY SIZE OF COMPANY ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

No. of Loans Made per Company	Company Assets ($ millions)			All Companies
	Less Than 100.0 (Group 1)	100.0 to 600.0 (Group 2)	600.0 and Over (Group 3)	
1	4	1	..	5
2	2	..	1	3
3	1	..	..	1
4	2	1	..	3
5	3	..	1	4
8	1	..	..	1
9	1	..	..	1
10	1	1	..	2
11	1	..	..	1
12	..	1	..	1
13	1	..	..	1
15	1	..	..	1
16	1	..	..	1
22	..	1	..	1
23	..	1	..	1
25	..	..	1	1
32	1	..	..	1
112	..	1	..	1
Totals .	20	7	3	30

fication in Appendix Table 2, Appendix B. Seventy-five of the 91 loans made by companies in Group 1 (assets of less than $100,000,000) were for $60,000 or less, while 32 of the 154 loans made by companies in Group 2 (assets from $100,000,000 to $600,000,000) and 14 of the 32 loans made by companies in Group 3 (assets of $600,000,000 and over) were in this size classification.

Several reasons account for the facts revealed in the preceding paragraphs. Some are financial while others are related to the statu-

tory provisions that place limits on the amount of loans that life insurance companies may invest in mortgages.[1] These provisions vary widely among the states.

TABLE 3

AVERAGE SIZE OF LOANS, AVERAGE NUMBER AND AMOUNT OF LOANS PER COMPANY FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY SIZE OF COMPANY ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Item	Company Assets ($ millions)			All Companies
	Less Than 100.0 (Group 1)	100.0 to 600.0 (Group 2)	600.0 and Over (Group 3)	
Avg. no. of loans made per company	7.45	20.28	10.67	12.16
Avg. amt. of loans made per company	$206,700	$1,134,160	$1,283,333	$553,911
Avg. size of loans	$ 40,883	$ 51,552	$ 120,312	$ 59,590

First, statutory provisions limit the amount which a firm may place in any one mortgage. An example of this type of limitation is the Illinois statute, which limits the investment in any one mortgage to a maximum amount of $10,000, or 2 per cent of the company's admitted assets, whichever is greater.[2] Somewhat different is the New York law

[1]Inasmuch as it is closely related to the material presented in this portion of the chapter, it should be mentioned here that a later section of this chapter will show that practically all church loan contracts, approved by insurance companies, contained provisions for a mortgage on the church property.

[2]Smith-Hurd Illinois Annotated Statutes, 1940, chap. 73, sec. 737, (1), (e).

which involves an additional principle by stating that mortgages on single properties are limited to $25,000, or 2 per cent of the company's admitted assets, whichever is greater, and in total they are limited to a maximum of 40 per cent of the company's admitted assets.[1] Limitations of this nature are probably of little or no consequence to large companies but they probably influence greatly the large number of rather small companies in the insurance industry. Out of the 30 responding firms which made loans to churches, seven companies had total assets of less than $10,000,000 and five firms had less than $5,000,000. Laws similar to the Illinois and New York type would effectively limit loans to any one church by insurance companies of this size to relatively small amounts. Restrictions of the New York type would further limit the lending activities of any one company (including loans to churches), if the firm's aggregate mortgage holdings were close to the maximum allowable (40 per cent of the company's total admitted assets).

Another important factor is the inability of the smaller companies to handle the larger loans. Even if a small insurance firm were given the opportunity to make a very large church loan, it would be forced to decline it due to insufficient lending capacity. For example, no one of the companies with total assets of $10,000,000 or less could have handled the $1,500,000 loan made by one of the larger insurance companies to a single church, and no insurance loan officer is going to place all of his loanable funds in one type of single purpose property.

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[1] McKinney's Consolidated Laws of New York, 1949, bk. 27, sec. 81, (6), (a).

Legal limitations on the maximum amount that may be loaned on a property of a given appraised value constitute another factor influencing the size and amount of loans to churches. This is referred to as the maximum loan-to-value ratio.

The maximum is usually set at 50 or 66 2/3 per cent of the appraised value of the property, generally the latter; it is never below 50 and if above 66 2/3 the law generally requires that the lending agency conform to certain provisions regarding maximum term and amortization of the loan balance or that it accumulate special loss reserves against the contracts, or both.[1] The New Jersey statute may be cited as an example of this type of restriction. This law limits loans to a maximum of 75 per cent of the appraised value if the loan is to be fully amortized and if the company carries as a reserve an amount equal to that by which the loan exceed 66 2/3 per cent of the appraised value of the property.[2] Thus, legal and financial factors definitely restrict the size and amount of loans by insurance companies to church organizations.

Use of Loans

What use was made of the loans from insurance companies by churches? Two hundred and seventy-seven loans totaling $15,509,523 contained sufficient information for an approximate determination of the uses made of the loans. The various uses made of loans were classified as follows: expansion, repairs and operating expenses. Eighty-

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[1] Saulnier, op. cit., p. 23.

[2] New Jersey Statutes Annotated, 1939, 17, chap. 24, sec. I, (b).

eight per cent of the number and 97 per cent of the amount of loans were used for expansion (Table 4, page 111). Loans used for expansion included the following: (1) $12,722,023 for new buildings and/or the enlargement of present buildings and (2) $1,345,400 for construction loans.

On the basis of information pertaining to the number and amount of loans made by insurance companies in each group size, discussed in preceding pages, it was to be expected that the total amount of loans made to churches for the three primary uses (expansion, repairs and operating expenses) would generally increase on the basis of group size in the following order: Group 1 with the smallest amount, Group 3 with the next amount and Group 2 with the largest amount. However, this was not the case. The group sizes did follow this general pattern with respect to the total amounts loaned to churches for expansion purposes, but the pattern was not followed for repair and operating expense loans.

Most of the number and amount of repair loans were made by companies in Group 1, while only two such loans were made by firms in Group 2 and no loans by firms in Group 3. Only one very small loan was made for operating expenses, and that was made by a company in Group 1.

In view of the preceding statements, it was not surprising that the range amounts of expansion loans increased with an increase in the group size, or that the average size of such loans followed the same general tendency, Table 3, Appendix B. The range and average size of repair loans also increased with an increase in the group size through Group 2.

The ratio of the number and amount of loans for expansion to

the number and amount of loans for repairs increased with an increase in the group size (Table 4, page 114). In fact, the companies in Group 3 reported that all of their loans were made for expansion purposes.

TABLE 4

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND SIZE OF COMPANY ASSETS, JANUARY 1, 1946–JANUARY 1, 1952

Use of Loans	Company Assets ($ millions)			All Companies
	Less Than 100.0 (Group 1)	100.0 to 600.0 (Group 2)	600.0 and Over (Group 3)	
Expansion				
Number ...	59	152	32	243
Amount ...	$2,343,300	$7,874,123	$3,850,000	$14,067,423
Repairs				
Number ...	10	2	..	12
Amount ...	$ 186,600	$ 65,000	..	$ 251,600
Operating Expenses				
Number ...	1	..	..	1
Amount ...	$ 6,000	..	..	$ 6,000
Not indicated				
Number ...	21	..	..	21
Amount ...	$1,184,500	..	..	$1,184,500
Totals				
Number	91	154	32	277
Amount	$3,720,400	$7,939,123	$3,850,000	$15,509,523

An analysis was made, but no definite relationship could be established between the use of loans, the size of insurance companies and the population changes of the cities in which the companies were located. This result was not surprising inasmuch as the lending of insurance companies is not generally confined to the areas immediately adjacent to

the city in which the home office of the company is located. The questionnaires included no data on the location of the recipients of the loans, therefore, no analysis could be made of a possible relationship between the use of loans and population changes of the cities in which the borrowers were located.

An attempt to determine whether or not there was any direct relationship between the total population of the cities in which the companies were located, the total amount of loans and the use of loans brought only negative results.

Contract Terms

In analyzing contract terms, the following questions will be considered: (1) What interest rates were charged on loans to churches? (2) What maturities were placed on the loans made to churches? (3) What were the loan-to-value ratios, particularly on expansion loans? (4) Were the churches required to make periodic payments on their loans? (5) What types of collateral did the insurance companies require of the churches?

Interest Rates

Seventy-one per cent of the number and amount of loans made by insurance companies of all sizes to churches were made within interest rates ranging from 4.0 to 4.9 per cent, Table 4, Appendix B; however, the information in this table also shows that the interest rates charged on church loans by the large companies were generally lower than those charged by both the medium- and small-size companies.

Fifty per cent of the number of expansion loans made by com-

panies in Group 1 (assets of less than $100,000,000) carried interest charges ranging from 5.0 to 5.9 per cent, while 81 per cent of the number of loans made by firms in Group 2 (assets from $100,000,000 to $600,000,000) and 84 per cent of the number of loans made by companies in Group 3 (assets of $600,000,000 and over) carried rates ranging from 4.0 to 4.9 per cent.

The general tendency for the large companies to charge lower interest rates on church loans than either the medium-size or small-size companies is even more clearly shown by the amounts of expansion loans in each interest rate classification. Eighty-eight per cent of the amount of loans made by companies in Group 1 and 86 per cent of the amount made by firms in Group 2 carried interest rates ranging from 4.0 to 5.9 per cent, while 98 per cent of the amount made by companies in Group 3 carried rates ranging from 3.0 to 4.9 per cent.

Repair loans were made only by the firms in Groups 1 and 2; however, interest rates on these loans also indicated a decline with an increase in the size group. Table 4, Appendix B also reveals that these repair loans were generally made at higher interest rates than the expansion loans by these same two groups of firms. One explanation for the higher interest rates on repair loans is to be found in the fact that the average size of repair loans was considerably smaller than the average size of expansion loans, Table 5, Appendix B. The data in this table further show that expansion and repair loans of about the same average size carried about the same interest rates. Information contained in earlier parts of this chapter has shown that the average size of loans increased with an increase in the size group of companies; therefore, it seems that there is some relationship between an increase

in the size of loans and a decline in interest rates.

Table 5, Appendix B, which also shows the relationship between the interest rate classifications and the average size of loans, confirms this tendency. It also indicates a general tendency for the average loan-to-value ratios and average maturities on expansion loans to decrease with an increase in the interest rate classification. This suggests that the average size of expansion loans was large enough to offset the normal tendency for interest rates to increase with an increase in either loan-to-value ratios or maturities.

Contract Length

Insurance companies made all of their church loans on either an intermediate or long term basis, and approximately 74 per cent of the number and 79 per cent of the amount of loans were on long term maturities, Table 6, Appendix B. No short term loans were made.[1] The data in this table further show that companies in Group 1 (assets of less than $100,000,000 made slightly more than one-half of their church loans with maturities ranging from 2 to 10 years, while 79 per cent of the amount of loans made by companies in Group 2 (assets from $100,000,000 to $600,000,000) and 92 per cent of the amount of loans made by companies in Group 3 (assets of $600,000,000 and over) carried maturities of more than 10 years.

It is also worth mentioning that as the average size of loans

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[1] Reference is made to the chapter on Bank Loans to Churches (page 71) for definitions of the terms: short term, intermediate term, and long term.

increased, the contract length increased, while on the other hand, the average interest rate decreased, Table 7, Appendix B. No definite relationship could be established between maturities and loan-to-value ratios.

Form of Security

Ninety-eight per cent of expansion loan contracts and 100 per cent of repair and operating expense loan contracts included provisions for either a mortgage on the church property, or both a mortgage and personal endorsement of the note by responsible members of the church, Table 8, Appendix B.

Approximately 65 per cent of the expansion loans made by firms of all sizes were secured by a mortgage on the church property. Companies in Groups 1 and 3 made a considerably larger percentage of their loans on this basis than the companies in Group 2. About 10 per cent of the church loans made by firms in Group 1 were on an unsecured basis, but no other group of firms made church loans without a mortgage on the church property or both a mortgage and personal endorsement of the note.

Nine other loans totaling $1,095,000 were not discussed in the above statements because the use of the loans was not indicated on the returned questionnaire. These loans were represented by bonds which had been purchased by one of the insurance companies.

An analysis revealed no definite relationship between the form of security required of the churches and either the average maturities or the average interest rates, Table 9, Appendix B. However, the survey did indicate that 4 out of the 5 unsecured loans carried serial ma-

turities, while the one other loan was to mature in 10 years.

Loan-to-Value Ratios

The majority of loan contracts made with churches for all uses had loan-to-value ratios of less than 40 per cent, Table 10, Appendix B. This same statement can be made with respect to expansion loans made by companies in Groups 1 and 3 (assets of less than $100,000,000 and assets of $600,000,000 and over, respectively). A substantial number of loans reported by companies in Group 2 (assets from $100,000,000 to $600,000,000) did not include sufficient information from which to ascertain loan-to-value ratios, however, those loans which did include this information showed a pattern similar to that for the other two groups of firms. Loan-to-value ratios for both repair and operating expense loan contracts, slightly higher than those on loan contracts for expansion purposes, averaged about 45 per cent.

Schedule of Repayments

Seven per cent of the number and amount of all loans reported by insurance companies gave no indication as to whether or not periodic repayments were required on the loan contracts; however, all others required at least one payment per year, Table 11, Appendix B. In fact, 72 per cent of the amount and 84 per cent of the number of expansion loans made by all companies called for repayments on the loan at least once each month. Over 90 per cent of the repair and operating expense loan contracts made this same requirement.

Companies with assets from $100,000,000 to $600,000,000, which made larger average size loans than firms in either of the other two

groups, were more stringent in their requirements in that approximately 97 per cent of their loans called for monthly repayments. This percentage is about 40 per cent higher than that for either of the other two groups. This suggests the possibility that most of the insurance companies were inclined to ask for short check-up periods on loans made to churches.

The insurance companies further reported that only 2 out of 268 loans were slow in meeting their loan repayments, Table 13, Appendix B. This means that payments were being met promptly on 99.3 per cent of all church loan contracts.

Denominations

Life insurance company loans to churches were definitely representative of the majority of the largest denominations in the United States, and several of the smaller ones as well. Twenty different denominations were represented in the loans made by insurance companies, and it is possible that several more were represented in the 135 loans for which no denomination was indicated (Table 5, page 122). These 135 loans were almost one-half of the total number of loans and slightly more than one-third of the total amount of loans made to churches by insurance companies. Therefore, the following statements will be made with the preceding comment in mind.

Among the loans for which denominations were indicated, the largest total number of loans was made to churches of the Baptist denomination while the largest total amount of loans was made to churches of the Catholic denomination. Table 12, Appendix B, shows that churches

of the Catholic denomination received the largest amount of expansion loans even though the use of loans was not reported for about one-third of the amount of loans going to this church group. The data also indicate that churches of the Baptist denomination received the largest number of expansion loans and the largest number and amount of repair loans. The one loan for operating expenses was made to a church of the Lutheran denomination.

The analysis in Table 13, Appendix B, indicates no clearly defined relationship between the average size of loans, the average interest rates, the average maturities and the average loan-to-value ratios when the loans were classified according to the recipient denomination. The largest average size of expansion loans ($199,300) was made to churches of the Catholic denomination, while the second largest average size ($121,333) went to churches of the Jewish denomination. Loans to churches of the Jewish denomination were about twice the average size of loans made to churches of any other denomination, except Catholic. About all that can be said with respect to the relationship between the average size of loans and the average interest rates is that the denomination having the largest average size of loans paid the lowest interest while the denomination having the smallest average size of loans paid the highest interest rate.

Fifty-six of the 69 expansion loans which were secured by mortgages on the church property and personal endorsements did not include any information pertaining to the denominations which received the loans, Table 14, Appendix B. Four of the 19 expansion loans made to churches of the Methodist denomination included provisions for both a mortgage

and personal endorsements, while 2 of 5 such loans made to churches of the Church of Christ denomination provided for similar provisions. Expansion loans to most churches of other denominations were practically all secured by real estate mortgages alone.

TABLE 5

NUMBER AND AMOUNT OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY DENOMINATION, JANUARY 1, 1946-JANUARY 1, 1952

Denomination	No. of Loans	Per Cent of Total	Amount of Loans	Per Cent of Total
Baptist	34	12.3%	$ 1,757,100	11.4%
Methodist	21	7.6	981,400	6.4
Catholic	19	6.9	3,088,000	19.9
Jewish	13	4.6	1,516,000	9.8
Presbyterian	13	4.6	452,900	2.9
Lutheran	8	2.9	259,500	1.6
Episcopal	7	2.7	330,000	2.1
Nazarene	6	2.2	61,500	0.4
Church of Christ .	5	1.8	243,500	1.5
Other Protestant .	16	5.7	987,500	6.4
Not indicated	135	48.7	5,832,123	37.6
Totals	277	100.0	$15,509,523	100.0

Five of the 6 unsecured loans went to churches of the Catholic denomination. These 5 loans, all used by this group of churches for expansion purposes, constituted one-half of the total of such loans going to this group.

Although no repair or operating expense loans were made on an unsecured basis, about one-half required only a mortgage as security for the loan while the other one-half included provisions for both a mortgage and personal endorsements, Table 15, Appendix B.

Geographical Distribution of Loans

Number and Amount of Loans

Table 6 (page 124) indicates that the responding firms were rather widely distributed geographically, and that they were about equally divided among the three principal geographical regions of the United States (the North, the South and the West). That there were about the same number of firms extending loans to churches in each of the three regions, while the smallest total number of loans was made by companies in the North and the largest total number of loans was made by companies in the West, indicates that the average number of loans made per company was higher in the West than in either of the other two regions.

This seems to imply that firms in the West were making a larger number of loans per company than either of the other two regions. However, this was not the case. The data in Table 16, Appendix B, show that this high average was due primarily to one firm in this region which reported 112 loans. In fact, there was a larger percentage of the firms in the West making a small number of loans than in either of the other two regions. Six of the 8 firms in the West made 5 loans or less, while 5 of the 10 firms in the North and 3 of the 10 firms in the South were in the same category.

The total amount of loans was approximately the same for companies in the North and in the West, while companies in the South loaned about one-half that total amount (Table 6, page 124).

In view of this and other preceding statements, it was not surprising to note that the average size of loans was higher for companies

in the North than in either of the other two regions, and that the average size of loans was only slightly higher for firms in the West than for firms in the South. It was thought that one possible explanation for this would be that a higher percentage of the smaller companies were in the South and West than in the North, inasmuch as it had already been ascertained that, in general, the smaller companies made the small loans while the larger companies made the large loans.

TABLE 6

TOTAL NUMBER, TOTAL AMOUNT, AVERAGE AMOUNT AND AVERAGE SIZE OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY COMPANY LOCATION JANUARY 1, 1946-JANUARY 1, 1952

Geographical Location*	No. of Companies	No. of Loans	Amt. of Loans	Avg. Amt. of Loans per Company	Avg. Size of Loans
North	10	69	$6,503,800	$650,380	$94,272
South	10	77	3,008,600	300,860	39,073
West	8	131	5,997,123	749,640	45,932
Totals	28	277	15,509,523	553,911	55,955

*U.S. Bureau of the Census, Census of Population: 1950, Advance Reports, Series PC-9, No. 2 (Washington: Government Printing Office, 1952), p. 5.

The distribution of states within each of the census regions is as follows: North - Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Ohio, Indiana, Illinois, Michigan, and Wisconsin; South - Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Kentucky, Tennessee, Alabama, and Mississippi; West - Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas, Arkansas, Louisiana, Oklahoma, Texas, Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Washington, Oregon, and California.

Table 7 (page 125), which gives the geographical distribution of church-loan companies, classified according to group size, confirms this statement by showing that 6 out of 8 of the companies in the West and 8 out of 10 companies in the South had total assets of $100,000,000 or less, while only 4 out of 10 of the companies in the North were in this group size classification.

Therefore, it seems that insurance companies in the North were not only larger in size, in general, than those in the other two regions, but also that those in the North had made larger loans. This is substantiated by the data in Table 17, Appendix F, which indicate that 86 per cent of the number of loans made by companies in the South were for $40,000 or less, while only 57 per cent of the number of loans made by companies in the North were in this loan size classification. Due to the fact that a substantially large number of loans made by companies in the West did not include sufficient information for classifying them according to size, loan sizes from that region will not be compared with those from the other regions.

TABLE 7

[illegible] OF CHURCH-LOAN [illegible] 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY COMPANY [illegible] SIZE OF COMPANY ASSETS, JANUARY 1, 1944-JANUARY 1, 1952

Company Assets (millions)	Geographical Location			All Regions
	North	South	West	
Less than 100.0	4	8	[illegible]	18
100.0 to 500.0	3	2	2	7
500.0 and over	3	0	0	3
Totals	10	10	8	28

Contract Terms

Investigation of the contract terms revealed that a substantial proportion of loans made in all regions carried interest charges of less than 5.0 per cent, Table 18, Appendix B. More significant is the fact that about one-third of the amount of loans made by companies in the North carried interest rates of less than 4.0 per cent, while only 4 per cent of those made by companies in the South and none of those made by companies in the West were within this interest rate classification. One loan in the West and 3 loans in the South carried interest charges of 6.0 per cent and over, while there were no loans in the North on which such charges were more than 5.9 per cent. All of this indicates that, in general, interest rates on church loans were lower in the North than in either the South or the West.

The discussion in preceding pages has already indicated that there were no loans with short term maturities made to churches, and that the majority of loans made by insurance companies were on a long term basis. Table 18, Appendix B, which gives the geographical distribution of loans, classified according to maturities, shows that companies in the West made a much larger percentage of their total loans on a long term basis than companies in either of the other two regions. In fact, about 90 per cent of the loans made by firms in the West were long term contracts, while only 67 per cent of the amount of loans made by firms in the North and 56 per cent of the amount of loans made by firms in the South were for maturities of this length. This suggests that companies in the North and in the South were more inclined to make church loans on an intermediate term basis than were the companies in

the West.

Denominations

The regional analysis of insurance company loans to churches, classified by denominations, revealed several interesting features. Table 19, Appendix B, shows that all of the loans made to churches of the Catholic denomination were made by companies located in the North, on the other hand, companies in the North and West reported no loans to churches of the Church of Christ denomination. Some denominations had larger average size loans in one region than in another. The following denominations had their largest average size of loans in the North: the Catholic, Jewish, Baptist, Methodist, Lutheran, Nazarene and Other Protestant, Table 20, Appendix B. It is significant that with one exception these denominations also paid the lowest interest rates on loans made in this region than in either of the other two regions. The Episcopal, Presbyterian and Church of Christ denominations had their largest average size of loans in the South; however, there was no clearly defined relationship between the average size of these loans and the interest rates paid.

Percentage of Total Construction Cost Required of Churches

Insurance companies were asked the question: "Is there any definite percentage of the total construction cost which you think a church should have on hand before you would consider making the loan?" Eighteen of the 28 companies stated that they thought churches should have some definite percentage of the total construction costs on hand before applying for a loan, (Table 8, page 128). The range of percentages of

total construction costs required to be on hand was narrower for companies with assets of $100,000,000 to $600,000,000 than for companies with assets of less than $100,000,000. The average percentage was slightly higher for the former group of firms (53 per cent) than for the latter (49 per cent). This suggests that the larger companies were a little more stringent in this particular requirement than the smaller companies. Only one company with assets of $600,000,000 and over stated that churches should have some definite percentage of the total construction costs on hand before making the loan application. It did not indicate what that percentage should be.

TABLE 8

PERCENTAGE OF TOTAL CONSTRUCTION COST REQUIRED TO BE ON HAND OF CHURCHES FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY COMPANY ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

	Company Assets ($ millions)			
	Less Than 100.0 (Group 1)	100.0 to 600.0 (Group 2)	600.0 and Over (Group 3)	All Companies
	Should a Definite Percentage Be Required?			
No	3	2	1	6
Yes	14	3	1	18
Not indicated .	1	2	1	4
Totals ...	18	7	3	28
	Average and Range Percentages Required			
Average	49.6%	53.3%	....	51.0%
Range	35 to 70	50 to 60	....	35 to 70

Defaults on Church Loans

Two companies (assets of less than $100,000,000) reported defaults on church loan payments from January 1, 1946 through January 1, 1952. These defaults were on only 2 loans out of a total of 277 loans reported. One firm stated that they had trouble with one loan, but that this was later refinanced locally and the insurance company loan retired. The other firm reported slow payments on a $9,000 loan to a church with a small congregation.

Loans Declined

Thirty insurance companies reported that they had made 365 loans to churches from January 1, 1946 to January 1, 1952. One of these firms indicated that it had declined no church loan applications during this survey period, Table 21, Appendix B. Nine companies did not indicate on the returned questionnaires whether or not any church loan applications had been turned down. Twenty church-loan firms revealed that they had declined loan applications from churches, but only 10 of these 20 firms reported the specific number of such applications denied. It is significant that these 10 firms, which reported the specific number of loan applications declined, turned down 412 applications for church loans. Thus, these 10 firms had declined more applications for church loans than were approved by all 30 insurance companies. It is worth mentioning that the 10 firms, which reported the specific number of church loan applications declined, approved an average of 17.3 loans per firm while they denied an average of 41.2 loans per firm. It is also interesting to note that 336 of the 412 applications turned down were de-

clined by one insurance firm. This one firm had approved 112 church loans. This suggests that insurance companies were subjecting church loan applications to careful study before approving the loans.

No-Loan Companies

Seventy of the 101 responding insurance companies reported that they had made no loans to churches from January 1, 1946 to January 1, 1952, Table 22, Appendix B. Five firms stated that they had declined 31 church loan applications. Seven others indicated that they had declined loans of this type but they did not state specifically the number. Twenty-six of the 70 firms which stated that they had made no loans to churches further indicated that they had declined none, thus giving some evidence of a scarcity of requests for this type of lending. Comments from a few of the firms not making loans were as follows:

No church loan has ever been submitted to us.

> We have never received any application for church loans. We would not consider them at present as our "owner occupied homes in fire protected areas" conventional loans are all that we would consider.

> We return your questionnaire and have indicated thereon the fact that we have not made church loans during the period covered by your survey. At this time we have only one mortgage outstanding on church property. This mortgage has been on the books since 1924 and has steadily been reduced so that now the outstanding balance is only 28% of the original mortgage. Prior to 1939 we made 128 mortgage loans on churches, schools and other religious properties in the ... area. These loans were placed at various times so that the aggregate amount was not outstanding at any one time. .... These loans had an original balance of $12,501,500 and an original valuation of $32,772,566. These loans were all satisfied by the end of March 1945.

Another reason for a number of firms not making loans to churches

was because they have adopted a general company policy of declining this type of application. This general policy has been adopted by a number of companies and for a number of reasons. The following comments from some of the officers themselves are typical of others:

> Since ... Company has never made such loans and does not propose to make such loans, including lodges and other similar types, I judge it is not necessary for us to complete your questionnaire. While the making of such loans would appeal to us personally, it has been our thought that there is not the personal responsibility back of loans of this type that should be present in connection with life insurance mortgage loans, and we have as a result universally declined loans of this character.

> The predecessor company between 1925 and 1929 made several church and church school loans. Experience proved extremely bad. In most cases congregations had no desire to pay full loan.

> The ... is a small company. We have never considered any church loans as our policy is to make loans only on single family dwellings, the loan not to exceed $12,000. Almost all the loans are FHA. Almost 2/3 of our assets are in these small mortgages and most of the remainder in government bonds.

> We do not lend any money to churches on mortgages because we cannot deal with churches objectively. .... Many years ago we made loans to churches. We have no instance on our books of a defaulted church loan. We discontinued making church loans because of the apriori fear that in case of a default bad public relations would result if we attempted to enforce collection. Personally, I am convinced that a loan made to a church of an established denomination may be expected to be a good one. The only cases of difficulty in collection in the .... area occured during the 1932 depression period when closed banks tried to enforce immediate payment of mortgages which were placed with the understanding that they were to run for a period of years.

At times, it seems that insurance companies did not make loans to churches because they felt that the congregation was obligating itself for too much debt. One officer stated:

> At one time we had a number of church loans on our books. During the thirties we experienced difficulty with them, but we finally worked them out without principal loss, although we did take some loss in interest, and they have since been paid in full. We found the best method to be to place such loans on a monthly pay basis. Our experience with recent applications for such loans has been that we felt the amount of debt per capita of membership was too high.

Factors Influencing Decisions to Make Church Loans

The responding insurance companies indicated that they had used many combinat ons of factors in deciding whether or not to extend loans to churches. Inasmuch as the number of operating expense and repair loans was rather small, it was thought that an analysis of the factors, classified according to size group of companies, would be a better approach than an analysis based on the use of loans.

The following four factors were listed on the questionnaire: (1) general character and capacity of the church, (2) personal endorsements, (3) ratio of operating expenses to the income of the church, and (4) the value of church property. Insurance companies were requested to indicate which of these four factors had influenced their decisions to make church loans. They were also asked to list any other factors which had affected their decisions to approve loan applications from churches.

The general character and capacity of the church was used more by all insurance companies than any other factor, Table 23, Appendix B. It is interesting to note that this factor seemed to gain in importance (i.e., the percentage of times used) as the group size of insurance companies increased. On the other hand, personal endorsements, the ratio of operating expenses to the income of the church and the value

of church property declined in importance with an increase in the group size of firms. This indicates that, in general, the larger companies were inclined to attach less importance to these last three factors than to the first. Personal endorsement of the note by responsible parties within the church was given fourth place among the four listed factors in influencing decisions to make church loans. In fact, seven per cent was the highest percentage of times this factor was used by any one of the three groups of firms.

Table 8, Appendix B, shows that mortgages on church property and/or personal endorsement of the notes by responsible parties constituted the primary forms of security required on church loans. As a matter of fact, more than 98 per cent of the loans made to churches by insurance companies required this type of security. Yet, it has been shown above that mortgages on church property influenced decisions to make church loans only 21 per cent of the time. This apparent inconsistency is explained in two ways. First, the laws of many states require insurance companies to obtain a mortgage on loans of this type, and this furnishes a reason for the insurance companies reporting such a high percentage for this form of security. Second, mortgages on church property were not given a very prominent place among the factors influencing decisions to make church loans, because the companies recognize that this kind of property is single-purpose in nature. Due to this characteristic, church property is less desirable as security on a loan than property that is multi-purpose in nature. It is also probable that these firms have assumed that mortgage would be taken on the church property as a matter of fact, just as they would assume that in-

terest would be charged on the loan.

The ratio of operating expenses to the income of the church was rated only third place in importance, among the four listed factors, in influencing company decisions to make church loans. However, a few companies emphasized the importance of this ratio in evaluating church loan applications. Although this factor was not checked on the questionnaire by any firm with assets of more than $600,000,000, other information supplied by this group of firms implied that this factor was an important consideration. This is discussed in subsequent pages as part of the comments about church loans made by insurance loan officers.

The responding firms further indicated that "other factors" were taken into consideration in extending loans to churches. This classification included such items as: scarcity of quality issues with a yield in the corporate field, size of debt in relation to the size of the congregation, and participation agreement with a local bank.

The following comments from some of the firms were representative of others:

> Personal endorsement of the note by trustees. Endorsement by the District Society.

> You will note that three of our eight church loans have been made under a joint mortgage with a local banking institution participating. We feel that this is very valuable inasmuch as we thereby obtain local supervision of the loan. The bank is our collection agency and all moneys received by them are split on the same basis as our participation. To date, this type of financing has proved very satisfactory.

> We do not put a great deal of emphasis on property value because a church is only as good as the congregation making up the church.

These loans were publicly offered. Our holdings are only a portion of the loan.

.... Our entrance into this field was largely due to the scarcity of issues with a yield, in the corporate field.

We have made five loans to churches on the security of residential property used as a rectory or residence for the pastor or minister. These have been handled exactly as any other conventional residential mortgage loan.

A congregation must be in existence and growing for ten years. Only certain denominations are considered.

We do not make loans on special purpose properties and keep no record of such offerings. This includes church loans. Intimate knowledge of this operation caused us to make an exception to our rule.

We limit our loans to 50 per cent of the cost of construction, irrespective of the value of the existing properties, and in no event do we make a loan which would exceed $100 per active member.

Several companies responded to this question quite at length. These comments with respect to policies concerning loans to churches were different from others in that they gave more detail and were more comprehensive in their scope. They were as follows:

Many factors influence our decision to make a church loan. Important among them are the church's position as to cash or quick assets, ratio of loan desired to value of mortgaged property, size of the debt in relation to size of the congregation, favorable showing as to the income and outgo over the past several years, ability to meet operating expenses and payments on the loan, the size of the congregation, the church's record of growth in the past and its prospects for future growth.

The principal factors influencing our decision to make these loans are not limited to but one of the factors listed on the questionnaire. The financial strength of a church, its growth in size and number of members, the carrying charges per

member, the effort and contributions they have made in establishing a building fund to meet their objective, the value of the physical security, and the community itself have a bearing on our decision to make church loans.

In October 1948, the Company established a rather definite pattern for guidance in considering church loans. This pattern may be briefly summarized as embracing the following factors or conditions:

(1) the amount of the loan to be within the ability to pay;
(2) the loan not to exceed fifty (50%) per cent of the cost of improvements, and the church to have no other indebtedness;
(3) a growing church in an improving community and properly located with relation to other churches of the same denomination;
(4) loans to be secured by all property of the church including the parsonage, and not to be closed until improvements are completed;
(5) any funds needed during the construction to be obtained under short term construction loan from a local bank;
(6) the loan to be repayable monthly over a maximum term of fifteen years.

The Company adheres rather strictly to the above pattern or approach to church lending. The ability to pay is a paramount factor in our opinion with location and future prospects also important. The ability to pay may well hold a loan to less than fifty per cent of the cost of improvements under a very ambitious program, and on the other hand, we would not readily consider a loan in excess of fifty per cent of improvement cost even though the ability to undertake a larger loan seemed to exist.

The ability to pay can of course be a matter of opinion with growth prospects a factor. We do not feel a financial obligation should be incurred which might force curtailment of normal operating programs or reduce benevolent contributions. We would allow for possible lower giving per capita during some period of the loan term and would discount somewhat contributions made under impetus of a building fund drive as an indicator of long term giving capacity. It is not our general practice to require personal endorsements as our approach is to make church loans only on a conservative basis. .... We do not seek any loans on special type or one purpose properties, however, we have been willing in the post war period to consider church loans under our pattern in the areas in which we do business.

...this Company has had a successful operation with church

loans, and we became known as a church lending institution. From the years '46 up to date we were flooded with more applications than we felt we should handle of that particular type in proportion to our investment portfolio. Therefore, about the Fall of '48 the Finance Committee discovered that we had church and institutional loans that figured roughly about 5 per cent of our investable assets. It concluded that we should take only the unusually well-margined church loans that would keep this percentage in proportion to our growth.

You ask that we elaborate somewhat on ... our experience in this type of loan. Briefly, we might say that in the older churches we have found where the churches give heavily to benevolences and spend the minimum on themselves, we have the best type of loan that offers the least risk. Where the church is new and struggling and in their history they are attempting to serve others as well as themselves, we will make loan advances, but where we find evidence that the institution is spending all of its funds on itself without consideration for helping others, either through mission programs or other programs, we generally decline to entertain them.

In the newer churches we sometimes suggest limited personal endorsements, in accordance with the ability of the members to meet their endorsements, to get an indication of the earnestness with which the members regard their program. If we find a definite lack of interest so far as limited endorsements whereby we agree to relieve their estates upon payment, we feel that there would be little interest in getting under the burden should reverses come.

It has also been our experience that where the general structure of the church organization is responsible to higher church courts, we feel a bit more secure than in dealing with individual congregations who are responsible to no higher court or authority. This procedure eliminates to a large extent the question of being left with real estate security in the event congregations bicker or the leaders fall out over ministers, et cetera, including matters of doctrine.

While naturally we see to it that the real estate security is there, it has been our experience that we cannot sell church property, so your conclusion as to the worth must be made up on the experience of the minister, the giving of the congregation, and whether they are a working body.

Relationship Between Church Loans and Other Types of Real Estate Loans

Insurance company loans to churches and on conventional types of real estate are somewhat alike in that the majority of both types of

loan contracts carried provisions for mortgages on property. Only a very small percentage of church loans were made on an unsecured basis.

A recent survey of urban mortgage financing gives additional general characteristics of real estate loans which were made by a sample of insurance companies in the United States. These general characteristics will first be summarized, and then compared with the results found in the present study of insurance company loans to churches.

This survey of urban mortgage financing indicated that about 95 percent of the number and 85 percent of the amount of loans made on one- to four-family dwellings were originally made in amounts of less than $10,000.[1] On the income-producing properties about 60 per cent of the number and 90 per cent or more of the amount were on loans of $20,000 and over, while the average size of loans was over $70,000.[2]

It is interesting to note that of the church loans made by insurance companies only 11 per cent of the number and 1 per cent of the amount were for less than $10,000. About 19 per cent of the number and 97 per cent of the amount of church loans were on loans of $20,000 and over, while the average size of loans was about $56,000.

The Saulnier survey also revealed a distinct tendency for interest rates on loans secured by properties other than the one- to four- family dwellings to decrease as the size of the loan increased.[3]

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[1]Saulnier, op. cit., p. 49.

[2]Ibid., p. 43.

[3]Ibid., p. 57.

The report on conventional real estate loans also indicated that about one-half of the loans made on one- to four-family dwellings carried interest rates ranging from 4.1 to 4.9 per cent, while about one-third of the loan contracts on income-producing properties included provisions for this same range of interest rates.[1]

It has been shown above that interest rates had a tendency to decrease with an increase in the size of the loans. The analysis of this chapter has also indicated that the interest rates charged on the majority of the loans to churches were within the same range as those indicated in the Saulnier survey on conventional real estate loans.

The survey of urban mortgage financing reported a number of loans on income-producing properties with contract lengths of less than 10 years and a few for less than 2 years.[2] It also showed about 75 per cent of these loans with contract lengths of 10 years or more. About 90 per cent of the loan contracts had loan-to-value ratios of 40 per cent or more. Eighty-two per cent of the number and 72 per cent of the amount of loans made on this type of property required either monthly or quarterly repayments on the loan contracts.

Contract lengths on insurance company loans to churches were somewhat different from those reported in the preceding paragraph. First, there were no loans to churches with maturities of less than 2 years. The percentage of church loans with maturities from 2 to 9

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[1] Ibid., p. 52.

[2] Ibid.

years was slightly smaller than that in the other survey. Although the percentage of church loans with contract lengths of 10 years or more was roughly 20 per cent higher than that shown in the Saulnier survey, the maturities on church loans were more highly concentrated in the range of 10 to 14 years than were the loans in the latter study. The percentage of church loan contracts calling for monthly and quarterly repayments on the loans was slightly higher than that in the other study; however, a very large proportion of the former required monthly repayments. About 90 per cent of the church loan contracts had loan-to-value ratios of less than 40 per cent which is practically the opposite situation from that existing in conventional real estate loan contracts.

Therefore, it is evident that church loans were somewhat similar to conventional real estate loans in three points and considerably different in five points. Both types of loans required mortgages on property as a form of security, showed a tendency for the interest rate to decrease with an increase in the size of the loan and reported the majority of loans with interest rates ranging from 4.0 to 4.9 per cent. They were different in that the average size of church loans was considerably higher than that for loans on one- to four-family dwellings, and slightly lower than that on income-producing properties. It was also indicated that the maturities were more highly concentrated in the 10 to 14 year classification, the majority of the loan-to-value ratios were lower and the schedule of repayments were more highly concentrated in the monthly classification for church loans than for other types of real estate loans made by insurance companies.

Summary

In view of the skepticism in financial circles toward church loans, it was rather surprising to find that so large a number of insurance companies had made loans to churches from January 1, 1946, to January 1, 1952. The following summary may be drawn from the information presented in this chapter.

First, in spite of the skepticism toward this type of lending, insurance companies are definitely continuing to make church loans. Thirty of the 101 responding firms reported 365 loans to churches totaling more than $15,500,000. It was also interesting to learn that 26 of the 70 firms which stated that they had made no loans to churches further indicated that they had received no requests for loans from churches.

Second, the principal factors used by insurance companies in deciding whether or not to make church loans were listed in the following order of importance: (1) the general character and capacity of the church, (2) the value of church property, (3) the ratio of operating expenses to the income of the church, and (4) personal endorsements.

Third, non-financial factors evidently played only a very minor part in affecting company decisions to make church loans. Non-financial factors included such items as: (1) the best type of loan offering the least risk being one in which the church gives heavily to benevolences and spends a minimum on itself, and (2) whether or not the membership of the church is considered an active working group. These non-financial factors had some financial implications.

Fourth, practically all of the church loans made by these firms

were for expansion of church buildings and equipment. Only 3 per cent of the amount of loans were for repairs and operating expenses, and these were all made by the small and medium size companies.

Fifth, contract terms on insurance company loans to churches were different from conventional real estate loans with respect to the average size of loans, contract lengths and loan-to-value ratios. These two types of loans were alike in that mortgages were required on the property and that the interest rate had a tendency to decrease with an increase in the size of the loan.

Sixth, most of the larger denominations in the United States were represented in the loan survey. Insurance companies made loans to 20 different denominations. Churches of the Baptist denomination received the largest number of loans with 34, while churches of the Catholic denomination received the largest amount of loans with $3,088,000.

Seventh, all three broad geographical regions of the United States were well represented by insurance companies which had made loans to churches. The average size of loans was highest for firms in the North, second highest for firms in the West and lowest for firms in the South. Evidence presented in the chapter showed that this was directly related to the fact that church-loan companies were generally larger in the North than in the other two regions, and that companies in the West were generally larger than those in the South.

Eighth, the percentage of the total construction cost which insurance companies thought churches should have on hand in the form of cash before applying for a loan averaged approximately 51 per cent. This was the average for all of the church-loan companies which responded

to the survey. State insurance laws have probably had some influence upon this requirement.

Third, the evidence submitted by the insurance companies suggests that church loan applications were rather carefully screened. This is indicated by the fact that 10 of the 30 church-loan companies declined 11[illegible] applications for loans to churches, while all 30 companies extended [illegible] loans.

Fourth, the current attitude of insurance company officials toward church loans is mixed. Those firms which made loans to churches during the survey period and others which made loans to churches prior to that time (during the 19[illegible]'s) reported, in general, satisfactory experiences with this type of investment. On the other hand, a few of the firms had not made church loans during this period because of unsatisfactory experiences with this type of lending during the 19[illegible]'s.

CHAPTER IV

LOANS TO CHURCHES BY SAVINGS AND LOAN ASSOCIATIONS, 1946-1952[1]

Introduction

In spite of the skepticism which arose among some bankers and insurance company officials toward church loans as a result of unfavorable experiences in the 1930's, these two groups of financial institutions have continued to make loans to churches. These religious organizations have used these funds to assist with the financing of their postwar expansion of buildings and equipment. Savings and loan associations also made loans to churches during the 1920's and the record of the 1930's shows that these associations had a number of churches to default on interest and principal payments during the depression period. As a result of this experience, some associations have been reluctant to make loans to churches. Furthermore, there has been considerable discussion among savings and loan officials as to whether or not church loans constituted a proper area of lending activity for their associations.

One purpose of this sample survey of savings and loan associa-

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[1]Unless otherwise indicated, all data used in this chapter have been taken from the 223 questionnaires returned by the responding savings and loan associations.

See Appendix C (p. 271) for a complete discussion of the sampling procedure employed in this survey.

tions was to determine whether or not this group of financial institutions have continued to make loans to churches in view of the unsatisfactory experience which some of them had with this type of lending during the 1930's. The responses to the survey indicate that the answer to this question is definitely an affirmative one.

Another purpose of the survey was to secure information to answer the following questions: (1) How many associations made church loans from January 1, 1946 to January 1, 1952? (2) What was the total number and amount of these loans? (3) What use was made of the loans by the churches which received them? (4) What were the contract terms on these loans? (5) Did the firms make loans only to certain denominations? (6) Were the loans to churches made by associations in any particular geographical region in the United States? (7) What percentage of the total construction cost did the savings and loan associations require the churches to have on hand in the form of cash before considering the loan application? (8) Have there been any defaults on church loans since January 1, 1946? (9) How many church loan applications have been declined by savings and loan associations, if any? (10) What factors influenced decisions as to whether or not to make the loans to churches, and (11) What is the prevailing attitude of this group of financial institutions throughout the United States toward church loans? An answer to these and related questions will be attempted in the following pages.

The sample survey of loans to churches by savings and loan associations in the United States was started during the early half of 1952 along with the surveys of the other two groups of financial insti-

tutions. Six hundred firms with total assets on June 30, 1951, of $2,528,551,000, or about 14 per cent of the total assets of all associations in the United States, were selected on a random sample basis as described in Appendix C, page 271. Firms were requested to report on all loans made to churches from January 1, 1946 to January 1, 1952.

Table 1, Appendix C, shows that 223 associations responded to the questionnaire, or about 37 per cent of those sampled, and these associations held approximately 6 per cent of the total assets of all such firms in the United States. The percentage of savings and loan associations responding to the survey was considerably higher (37 per cent) than the percentage of banks (21.5 per cent). The data in Table 1, Appendix C, also indicates that the response ratio was considerably higher from the large-size firms (59 per cent) than from the other two groups of firms (36 per cent). It is also of interest to note that the percentage of responding associations making loans to churches increased with an increase in the group size.

The sample data in this chapter will not be used as a basis for estimating the characteristics of all church loans made by savings and loan associations throughout the United States, but they are presented only as indicating the experiences of these 223 associations during the period indicated.

Number and Amount of Loans

Table 1 (page 148) shows that 63 associations reported 280 loans made to churches from January 1, 1946 to January 1, 1952. Two hundred and twenty-two reports of these loans included detailed information, and

the total amount of loans extended to churches totaled $3,909,904.

The analysis further indicated that the largest total number and amount of loans were made by the firms in Group 2. However, due to the fact that there was considerable variation in the number of firms in each group which reported loans to churches, the average number of loans per association increased with an increase in the group size of associations. There were six more firms reporting loans to churches in Group 1 than in the other two groups combined, but they made slightly less than one-third the total number of church loans. On the other hand, firms in Group 2 made slightly more than one-half the total number of loans and firms in Group 3 made slightly less than one-fifth of the total number.

This seems to indicate that the small firms were less inclined to make loans than the large firms. This tendency is substantiated by the information in Table 2 (page 149), which shows that the percentage of firms making five loans or more increased with an increase in the group size. In fact, only one firm in Group 1 made more than five loans.

The total amount of loans made by each of the three groups of firms also differed considerably. Not only did the average number of loans per association increase with an increase in the group size, but also the average amount of loans made per association and the average size of loans increased with an increase in the group size of firms, (Table 2, page 149). This indicates a general tendency for the small firms to make the small loans and the larger firms to make the large loans.

TABLE 1

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 63 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Item	Association Assets ($ millions)			All Associations
	Less Than 5.0 (Group 1)	5.0 to 20.0 (Group 2)	20.0 and Over (Group 3)	
No. of associations making loans to churches	35	22	6	63
No. of loans made	74	151	55	280
No. of associations reporting detailed information	31	20	5	56
No. of loans made which included detailed information ..	63	117	42	222
Avg. no. of loans per association	2.11	6.86	9.16	4.44
Amt. of loans made which included detailed information ..	$400,002	$2,130,402	$1,439,500	$3,969,904
Avg. amt. of loans per association	12,903	106,520	287,900	70,891
Avg. size of loans	6,349	18,209	34,274	17,833

This is confirmed by the data in Table 2, Appendix C, which show that the percentage of the number of loans under $10,001 decreased with an increase in the group size. In fact, this percentage for firms in Group 3 was less than one-half that for firms in Group 1. The tend-

ency is more clearly shown by the frequency distribution of the amount of loans in each size classification. Fifty-three per cent of the amount of loans made by firms in Group 1 were for $10,000 or less, while only 18 per cent of the amount made by firms in Group 2 and only 7 per cent of the amount made by firms in Group 3 were in this size classification.

TABLE 2

NUMBER OF LOANS PER ASSOCIATION FOR A SAMPLE OF CHURCH LOANS MADE BY 63 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

No. of loans Made per Association	Association Assets ($ millions)			All Associations
	Less Than 5.0 (Group 1)	5.0 to 20.0 (Group 2)	20.0 and Over (Group 3)	
1	15	8	..	23
2	11	5	..	16
3	5	2	1	8
4	2	1	2	5
5	1	1	..	2
6	..	1	..	1
7	..	..	1	1
9	1	..	1	2
11	..	1	..	1
28	..	..	1	1
30	..	1	..	1
35	..	1	..	1
36	..	1	..	1
Totals .	35	22	6	63

Several reasons would account for the information presented in the preceding paragraphs. First, the small associations were financially unable to handle large loans. Even if one of the small associations were

given the opportunity to make a very large loan to a church, it would be forced to turn it down due to insufficient lending capacity. For example, 12 of the 35 church-loan association in Group 1 had total assets of less than $1,000,000 and 21 had total assets of less than $2,000,000. Thus, the lending capacity of any one of these small firms would have been strained in an attempt to handle some of the loans made by the large firms. One association officer states: "Small associations cannot entertain large applications on expensive new structures." Others made similar comments.

A second reason is that the larger associations have more opportunities to make church loans due to the generally wider areas which they serve.

A third reason is to be found in the legal limitations placed upon the lending activities of savings and loan associations. One type of limitation set forth the borrowers to whom loans may be made. For example, the Wisconsin statute states that savings and loan associations may not make loans to churches on real estate security. It appears that a company may only make loans to its members.[1] Another type of limitation closely allied with this sets forth the type of property on which loans can be made. An example of this type of restriction is the New Jersey statute, which states that mortgage loans made by savings and loan associations shall be on real estate used or to be used wholly or partially for dwelling purposes.[2] A search of the statutes of Florida, New

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[1] Wisconsin Statutes, 1951, chap. 215, sec. 22, (8), (f).

[2] New Jersey Statutes Annotated, 1939, 17, chap. 12A, sec. 77-83.

Jersey, Pennsylvania, Texas and Wisconsin revealed that none expressly stated the loanable limit to any one borrower. However, the Florida statute did indicate that no association could make an unsecured loan for more than 10 per cent of its combined capital and unimpaired surplus to any one person, firm, or corporation until approved by the Board of Directors, but where the loan is secured, the maximum amount may be 25 per cent.[1] On the other hand, the Wisconsin statute, which limits the loans to any one borrower in proportion to the amount of the association assets, did not set any specific figure.[2]

Legal limitations on the maximum amount that may be loaned on a property of a given appraised value also influence the size and amount of loans to churches. All of the state statutes mentioned above, except Florida, set some loan-to-value ratio. The maximum amount ranged from 50 to 80 per cent of the appraised value of the property. The law generally requires that the lending agency conform to certain provisions regarding maximum term and amortization of the loan balance where the maximum loan-to-value ratio is above 66 2/3 per cent. The Pennsylvania statute may be cited as an example of this type of restriction. This law limits loans to a maximum of two-thirds of the value of the property and a maximum term of 10 years, unless the loan is amortized in equal annual installments for a period of 15 years.[3]

Savings and loan associations with Federal charters are further

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[1] Florida Statutes, 1951, chap. 653, sec. 18, (2).

[2] Wisconsin Statutes, 1951, chap. 215, sec. 22, (6).

[3] Purdons Pennsylvania Statutes Annotated, 1939, 7, sec. 819, (1209).

restricted in their lending activities. These firms are permitted to make loans only upon the security of the shares of the association or upon first liens on homes or combination of home-business properties.[1] Such loans may be either "straight" or "amortized." A "straight" loan is one which makes no provision for the gradual extinction of the debt in advance of maturity. This type of loan may be made for three years if it does not exceed 60 per cent of the appraised value of the property which is pledged as collateral for the loan. If the period is no more than five years, the loan may be equal to 50 per cent of the appraised value. If this type of loan is to be amortized on a monthly basis over a period of twenty years or less, an amount equal to a maximum of 80 per cent of the appraised value may be loaned; however, not more than $20,000 shall be loaned on the security of a first lien upon any one such property, except that amounts not exceeding 15 per cent of the assets of such association may be loaned on other improved real estate without regard to the $20,000 limitation. Furthermore, "straight" loans may be made on income-producing properties of not more than 60 per cent of the appraised value when the principal is to be retired by monthly amortization within a period of fifteen years. The maximum is limited to 50 per cent of the value of the property if the amortization period is extended to twenty years.

Limitations of this nature definitely restrict the church lending activities of savings and loan associations of all sizes. In fact, several firms stated that legal restrictions were responsible for the

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[1] U.S. Code Annotated, 12, sec. 1464, (c).

fact that they had either made only small loans to churches secured by residential property or none at all. Thus, legal and financial factors definitely limit the size of church loans made by savings and loan associations.

Use of Loans

What use was made of the loans which savings and loan associations made to churches? Two hundred and twenty-two loans totaling $3,969,904 contained sufficient information for a detailed study of this question. Eighty per cent of the number and 88 per cent of the amount of loans were used for expansion (Table 3, page 154). Loans for expansion included: construction loans, new buildings and/or the enlargement of old buildings. Most of the repair loans were made by the firms in Groups 1 and 2. In fact, Group 3 firms made only 10 per cent of the number and 20 per cent of the amount of repair loans to churches.

All except one of the 9 loans designated for "other uses" was made by an association in Group 3. The one exception was made by a firm in Group 1, and it was used to refinance a previous indebtedness. The other 8 loans included such items as: refinancing, business and personal. Further explanation of these 8 loans was as follows:

> On the form you will note in several instances "personal". Where that is indicated, the money was turned over to the church but our records do not indicate the specific use made of the money. We do know that it was not used for construction purposes, for the purchase of a building, for repairs or for additions to the present structure.

It is significant that not a single operating expense loan was made to churches by savings and loan associations, even though the church property could have been used as security. On the basis of in-

formation in preceding pages, pertaining to the number and amount of loans made by associations in each group size, it was to be expected that the average size of loans made to churches for expansion and repairs would generally increase with an increase in the group size. Table 3, Appendix C, confirms this tendency.

TABLE 3

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Use of Loans	Association Assets ($ millions)			All Associations
	Less Than 5.0 (Group 1)	5.0 to 20.0 (Group 2)	20.0 and Over (Group 3)	
		Number of Loans		
Expansion	49	101	28	178
Repairs	12	16	3	31
Other	1	...	8	9
Not indicated .	1	...	3	4
Totals	63	117	42	222
		Amount of loans		
Expansion	$358,597	$2,048,602	$1,107,000	$3,514,199
Repairs	38,105	81,800	29,500	149,405
Other	1,500	......	143,000	144,500
Not indicated .	1,800	......	160,000	161,800
Totals	400,002	2,130,402	1,439,500	3,969,904

The ratio of the number and amount of loans for expansion to the number and amount of loans for repairs increased with an increase

in the group size, Table 4, Appendix C. An analysis was made, but no definite relationship could be established between the use of loans, the size of associations and the population changes of the cities in which the firms were located. This result was somewhat surprising inasmuch as the lending of this group of firms is local in character. However, one possible explanation for the lack of any definite relationship is that a number of the loans made by firms in all group sizes was used to finance the construction or purchase of ministers' homes. This development was not anticipated at the time the questionnaires were mailed to the savings and loan associations; therefore, the associations were not specifically asked if the loans were to be used for this purpose. However, 23 associations volunteered the information that 42 loans were to be used to construct or purchase ministers' homes. This explanation seems plausible inasmuch as there is no direct relationship between an increase in the membership of a church and the need for a new or larger residence for the minister.

Contract Terms

In the following pages, the analysis will be concerned with the following questions: (1) What interest rates were charged on loans to churches? (2) What maturities were placed on the loans made to churches? (3) What were the loan-to-value ratios, particularly on expansion loans? (4) Were the churches required to make periodic payments on their loans? and (5) What types of security did the savings and loan associations require of the churches?

Interest Rates

Eighty per cent of the number and 89 per cent of the amount of expansion loans made by associations of all sizes were made within interest rates ranging from 4.0 to 5.9 per cent, Table 5, Appendix C. The majority of repair loans made to churches were also within this range of interest rates. The data in this table also indicate a general tendency for the interest rates on expansion loans to decrease with an increase in the group size of firms. The loans made by the firms in Group 1 were largely concentrated within the interest rate classification of 6.0 to 6.9 per cent, while a substantial percentage of loans made by the firms in Group 2 were within the interest rate classification of 5.0 to 5.9 per cent and a majority of those made by firms in Group 3 carried interest charges from 4.0 to 4.9 per cent.

Information presented above has indicated a tendency for the average size of loans to increase with an increase in the group size of firms. These two groups of data suggest the possibility of an inverse relationship between the size of loans and the interest rates. This is confirmed by the data in Table 6, Appendix C, which shows the relationship between the interest rate classifications and the amount of loans. None of the six loans on which the interest charges were 7.0 per cent or over were for more than $10,000, none of the 44 loans on which the interest charges ranged from 6.0 to 6.9 per cent were for more than $40,000, while the 71 loans on which the interest charges were from 4.0 to 4.9 per cent ranged in amounts from less than $5,000 to $100,000 and over.

The data in this table did not indicate a definite relationship

between the interest rates and the maturities of the loans. Only beyond the interest rate classification of 5.0 to 5.9 per cent was there a shortening in the maturity dates with an increase in the interest rates. A considerable number of loans did not include sufficient information for the determination of loan-to-value ratios; however, loans which did include this information gave some indication of an inverse relationship between the interest rates and the loan-to-value ratios.

Maturities

It should be remembered that the following definitions are being employed in this study: short-term loans are those with maturities of less than 2 years, intermediate-term loans indicate contract lengths from 2 to 10 years and long-term loans are those with maturities of more than 10 years.

Savings and loan associations made a majority of their church loans on either an intermediate or long term basis with approximately 68 per cent of the number and 57 per cent of the amount of loans on contracts with provisions for 2 to 10 year maturities, Table 7, Appendix C. Less than one per cent of the total number and amount of loans were for less than 2 years. It is also indicated that firms in Groups 1 and 2 (assets of less than $5,000,000 and from $5,000,000 to $20,000,000) made a vast majority of their loans with maturities of 10 years or less, while the firms in Group 3 (assets of $20,000,000 and over) made most of their loans with maturities of more than 10 years. No definite relationship could be established between the size of loans and the maturities, Table 8, Appendix C. About all that can be stated is that

there were no loans for more than $20,000 with maturities of 16 years and over. Neither could any definite relationship be found between the contract lengths and the loan-to-value ratios.

Loan-to-Value Ratios

Approximately 28 per cent of the number and 25 per cent of the amount of expansion loans made by firms of all sizes had loan-to-value ratios of less than 40 per cent, Table 9, Appendix C. It is also shown that about 16 per cent of the number and 10 per cent of the amount of loans of this type included loan-to-value ratios of 60 per cent and over. Loan-to-value ratios were generally lower on loans made by Group 1 than on loans made by Group 3. In fact, only one-fifth of the loans made by firms in Group 3 carried loan-to-value ratios of less than 40 per cent, while about one-half of the loans made by firms in Group 1 were within this ratio classification. Group 2 firms also had about one-fifth of their loans to churches with loan-to-value ratios of less than 40 per cent; however, there were a rather large number of loans made by this group of firms which did not include information pertaining to loan-to-value ratios.

It was not surprising that loan-to-value ratios on repair loans were generally lower than ratios on expansion loans for firms of all sizes. There were no ratios of more than 59 per cent for this type of loan.

An attempt was made to determine a possible relationship between the size of loans and loan-to-value ratios (Table 4, page 159), but no definite pattern could be discerned. Loans made to churches

with loan-to-value ratios of 60 per cent and over extended in amount up to $60,000, on the other hand, loans with ratios under 20 per cent extended in amount up to $30,000.

TABLE 4

LOAN-TO-VALUE RATIOS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY AMOUNT OF LOANS, JANUARY 1, 1946-JANUARY 1, 1952

Amount of Loans	Loan-to-Value Ratios (per cent)					Totals
	Under 20	20 to 39	40 to 59	60 and Over	Not Indicated	
$ 5,000 or less	8	17	25	12	17	79
5,001 - 10,000	4	12	15	8	20	59
10,001 - 20,000	2	7	9	5	13	36
20,001 - 40,000	1	5	5	5	6	22
40,001 - 60,000	1	..	4	1	3	9
60,001 - 80,000	2	1	3	..	3	9
80,001 - 100,000	..	1	2	..	1	4
100,001 and over	..	..	2	..	2	4
Totals	18	43	65	31	65	222

Form of Security

Table 10, Appendix C, indicates that approximately 96 per cent of expansion loan contracts and the majority of repair loan contracts included provisions for a real estate mortgage on the church property. Mortgages and personal endorsements in the loan contracts were used infrequently. Group 2 firms were the only ones to use this combination as a form of security on church loans, but even this group used it on only 7 per cent of the loans made.

"Other" forms of security on expansion loans included the fol-

lowing: F.H.A. insured loan amounting to $1,000, and a $40,000 loan secured by a real estate mortgage on the church property plus life insurance on the pastor of the church. "Other" types of security on repair loans included the following: a loan for $1,397 made under a Title I Loan Agreement and 11 loans amounting to $62,800 secured by vendors' liens. Eight other loans totaling $143,000 were not discussed in the above statements because the use of loans was not indicated on the returned questionnaires. These loans were all secured by a real estate mortgage.

In view of the fact that Federal statutes and many state statutes require savings and loan associations to obtain a first lien on property when it extends a loan, it was not surprising to find that no loans were made to churches by this group of firms on an unsecured basis. Neither did any association report that it had purchased bonds which had been sold by churches. Comments from two associations with respect to the use of personal endorsements on church notes were as follows:

> We are now holding 11 church loans for a total of $350,000. On recent loans, we have required one endorser on the note for each $1,000 of loan in addition to security of real estate.

> We do not cater to church loans but if the people responsible for the repayment of the loan are and have been stable in the community for some time and the loan percentage to value is small, we go along with them.

Schedule of Repayments

Less than 3.0 per cent of the number and 1.0 per cent of the amount of all loans reported by savings and loan associations gave no indication as to whether or not periodic repayments were required on

the loan contracts, Table 11, Appendix C. All others required at least one payment per year, and approximately 94 per cent of expansion loans and 97 per cent of repair loans called for repayments on the loans at least once each month. The requirement of monthly installment payments on loans is typical of savings and loan operations in general; therefore, this provision in church loan contracts was expected. The balance of the loans made to churches were about equally divided among quarterly, semi-annual and annual repayments.

Firms in Group 2 required a higher percentage of their loans to make monthly repayments than either of the other two groups of firms with over 99 per cent of their church loan contracts containing such a provision. On the other hand, firms in Group 3 had the highest percentage of loans contracts which included provisions for quarterly, semi-annual or annual repayments, but even this percentage was very small. Loans classified for "other uses" followed the preceding predominant pattern with all contracts calling for monthly repayments. This suggests the possibility that savings and loan associations, as well as other types of financial institutions, were inclined to ask for short check-up periods on loans made to churches.

Denominations

Savings and loan associations made loans to a number of the largest denominations in the United States and to several of the smaller ones as well. Twenty-eight different denominations were represented in the loan sample, and it is possible that other denominations were represented in the 18 loans for which no specific denomination was indicated,

(Table 5, page 162). It was astonishing to discover that no loans had been made to Catholic churches by savings and loan associations when banks had extended over $3,000,000 in loans to churches of this denomination and insurance companies had approved loan applications to this group of churches for a similar amount. It is possible, of course, that some of the 18 loans for which no specific denomination was indicated were made to Catholic churches, but the total amount of these 18 loans was only $157,000. Even if this total amount of loans had been made to Catholic churches, this proportion of the total loans made by savings and loan associations was far below the proportion of total loans made to Catholic churches by banks and insurance companies.

TABLE 5

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY DENOMINATION, JANUARY 1, 1946-JANUARY 1, 1952

Denomination	No. of Loans	Per Cent of Total Number	Amount of Loans	Per Cent of Total Amount
Baptist	68	30.7%	$1,127,993	28.4%
Methodist	19	8.6	433,253	11.1
Presbyterian	18	8.1	486,750	12.2
Lutheran	15	6.8	362,000	9.1
Assembly of God .	11	4.9	57,700	1.4
Episcopal	11	4.9	283,500	7.1
Nazarene	11	4.9	103,827	2.6
Church of Christ	10	4.5	148,785	3.7
Independent	9	4.1	112,825	3.0
Church of God ...	7	3.1	83,400	2.1
Other Protestant	25	11.3	612,871	15.4
Not indicated ...	18	8.1	157,000	3.9
Totals	222	100.0	3,969,904	100.0

Among the loans for which denominations were indicated, the largest number and amount of loans was made to churches of the Baptist denomination. Churches of this denomination received approximately one-third of all loans made by the responding church-loan associations. Churches of the Methodist denomination received the second largest total number of loans and churches of the Presbyterian denomination received the second largest total amount of loans. However, this total number of loans was less than one-third the total number received by Baptist churches, and the second largest total amount of loans was less than one-half the largest total amount.

The data in Table 12, Appendix C, indicate that the three denominations discussed in the preceding paragraph retained their leading positions when the loans were classified according to use. It is of some interest to observe that almost one-half of all repair loans were received by churches of the Baptist denomination.

The analysis in Table 13, Appendix C, indicates no clearly defined relationship between the average size of loans, the average interest rates, and the average maturities when the loans were classified according to the recipient denomination. The largest average size of expansion loans ($38,800) was made to Lutheran churches, while the second largest average size ($30,673) went to Presbyterian churches. About all that can be said with respect to the relationship between the average size of loans and the average interest rates is that the denomination having the largest average size of loans paid the lowest interest rate, while the denomination having the smallest average size of loans paid the highest interest rate.

Information above has indicated that practically all of the loans made to churches by this group of financial institutions were secured by real estate mortgages. Of the 7 loans secured by both a mortgage and personal endorsements, 3 did not indicate the denomination receiving the loans, 3 went to churches of the Independent denomination and 1 went to a church of the Baptist denomination.

Geographical Distribution of Loans

Number and Amount of Loans

Table 6 (page 165) shows that the responding savings and loan associations were rather widely distributed among the three principal geographical regions of the United States. The largest number of firms was in the West, the second largest number in the North and the smallest number in the South. In view of this information and the fact that the number of loans made to churches varied considerably between the three regions, it was not surprising to learn that associations in the South made the largest average number of loans per firm (6.1) and that associations in the North made the smallest average number of loans per firm (1.7). This is confirmed by the data in Table 7 (page 166) which show that the percentage of firms in the South making more than 5 loans was larger than that of any other region. On the other hand, only one firm in the North made more than 4 loans.

The total amount of loans was largest for firms located in the West, second largest for firms in the South and smallest for firms in the North. However, the largest average size of loans was made by firms in the South, the second largest average size by firms in the North and

the smallest average size by firms in the West (Table 6, page 165). Table 14, Appendix C, further shows that firms in the South had a larger proportion of both the number and amount of loans over $40,000 than firms in either of the other two regions. Even though firms in the North reported only two loans over $40,000, this did not bring the average size of loans for firms in this region below that reported by firms in the West. This can be explained by the fact that 71 per cent of the number of loans made by firms in the West were for $5,000 or less.

TABLE 6

TOTAL NUMBER, TOTAL AMOUNT, AVERAGE AMOUNT AND AVERAGE SIZE OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY ASSOCIATION LOCATION, JANUARY 1, 1946-JANUARY 1, 1952

Geographical Location	No. of Associations	No. of Loans	Amt. of Loans	Average Amount of Loans per Firm	Average Size of Loans
North	16	27	$ 507,256	$ 31,703	$18,787
South	11	67	1,596,165	145,106	23,823
West	29	128	1,866,483	64,360	14,530
Totals ..	56	222	3,969,904	70,873	17,872

Information given in preceding pages of this chapter has indicated that the average number of loans per association and the average size of loans had a tendency to increase with an increase in the group size. This information plus that included in the preceding paragraphs suggests that a larger percentage of firms with assets of $20,000,000

TABLE 7

NUMBER OF LOANS PER ASSOCIATION FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY ASSOCIATION LOCATION, JANUARY 1, 1946-JANUARY 1, 1952

No. of Loans Made per Association	Geographical Location			All Regions
	North	South	West	
1	9	2	8	19
2	4	1	10	15
3	1	3	3	7
4	1	2	2	5
5	..	..	2	2
6	..	..	1	1
7	1	..	..	1
9	..	1	..	1
11	..	1	..	1
28	..	..	1	1
30	..	..	1	1
35	..	..	1	1
36	..	1	..	1
Totals	16	11	29	56

TABLE 8

SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY ASSOCIATION LOCATION AND SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Association Assets ($ millions)	Geographical Location			All Regions
	North	South	West	
Less than 5.0	7	5	19	31
5.0 - 20.0	7	4	9	20
20.0 and over	2	2	1	5
Totals	16	11	29	56

and over should be found in the South, while a larger percentage of

firms with assets of less than $5,000,000 should be found in the West. The data in Table 8 (page 166) which gives the geographical distribution of church-loan associations, classified according to group size, confirms this statement.

Contract Terms

Investigation of the contract terms revealed that 29 per cent of the number and 57 per cent of the amount of loans made in all regions carried interest charges of less than 5.0 per cent, Table 15, Appendix C. More significant is the fact that more than 60 per cent of the loans made by firms in the South were for interest rates of less than 5.0 per cent, while approximately 20 per cent of the loans made by firms in the North were within this interest rate classification. Firms in the West had 50 per cent of the amount and about 20 per cent of the number of loans within the same range of interest rates. Approximately one-third of the number of loans made by firms in this region carried interest rates of more than 6.0 per cent, and this was the only group of firms to report interest charges within the range of 7.0 to 7.9 per cent. Inasmuch as it has been shown above that the average size of loans made by firms in the South was higher than the average size of loans made by firms in the other two regions, it was expected that, in general, interest rates on church loans by all associations would be lower in the South than in either the North or West. It should be further stated that the "not indicated" interest rate classification in Table 15, Appendix C, could change this general tendency. Seven of the 27 loans made by associations in the North were included in the "not

indicated" interest rate classification, and this percentage of loans is sufficiently large to make a considerable difference in the number of loans probably to be included in each of the other interest rate classifications.

Table 15, Appendix C, which also gives the geographical distribution of loans, classified according to maturities, shows that firms in the North made a larger percentage of their loans on a long term basis than firms in either of the other two regions. About one-half of the number of loans made by firms in this region were on long term contracts; on the other hand, 27 per cent of the number made by firms in the West and 16 per cent of the number made by firms in the South were for maturities of this length. This suggests that associations in the West and South were more inclined to make church loans on an intermediate term basis than were the associations in the North.

Denominations

Only those features directly concerned with loans to churches, classified by denominations and regions, will be discussed in this section of the chapter. All of the loans made to churches of the Assembly of God denomination were by firms located in the West; on the other hand, firms in the North made no loans to the Church of Christ, Church of God, or Independent denominations, Table 16, Appendix C. Only two denominations had their largest average size of loans in the North, the Presbyterian and the Nazarene (Table 9, page 169). Denominations with their largest average size of loans in the South were: the Baptist, Episcopal, Methodist, Church of God, Independent and Other Protestant.

The Lutheran and Church of Christ denominations received their largest average size of loans in the West. No definite pattern could be established between the average size of loans and average interest rates when the loans to churches were classified according to denominations and regions.

TABLE 9

AVERAGE SIZE OF LOANS AND AVERAGE INTEREST RATES FOR A SAMPLE OF CHURCH LOANS MADE BY 56 ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY ASSOCIATION LOCATION AND DENOMINATION, JANUARY 1, 1946-JANUARY 1, 1952

Denomination	Geographical Location					
	North		South		West	
	Average Size of Loans	Average Interest Rates	Average Size of Loans	Average Interest Rates	Average Size of Loans	Average Interest Rates
Presbyterian ...	$37,500	....%	$34,909	4.90%	$ 5,550	5.50%
Lutheran	20,166	4.67	(22,000)	(4.50)	28,143	4.50
Baptist	15,531	4.80	21,948	4.70	12,172	5.34
Nazarene	(10,800)	(5.00)*	(10,643)	4.87	8,529	5.50
Episcopal	(10,375)	(4.75)	(60,000)	(4.50)	30,667	4.79
Methodist	(6,500)	(5.00)	24,900	4.75	24,622	5.06
Church of Christ	.....	....	(4,000)	(....)	16,087	5.61
Church of God ..	.....	....	(17,750)	(4.75)	(4,133)	(5.33)
Independent	.....	....	(14,441)	(5.67)	11,583	4.75
Other Protestant	(13,400)	(4.55)	31,920	5.30	23,693	4.97
Not indicated ..	8,300	....	(2,500)	(....)	9,416	6.06

*The parenthesis are used above to indicate averages based on less than 5 loans.

Percentage of Total Construction Cost Required of Churches

As were other financial institutions, savings and loan associations were asked the question: "Is there any definite percentage of the

total construction cost which you think a church should have on hand before you would consider making the loan?" Thirty of the 63 associations stated that they thought churches should have some definite percentage of the total construction costs on hand before applying for a loan, Table 17, Appendix C. Only one firm with assets of $20,000,000 and over answered this question in the affirmative. They stated that a church should have 60 per cent of total construction costs on hand before seeking a loan.

The range of percentages of total construction costs required to be on hand was narrower for firms with assets from $5,000,000 to $20,000,000 than for firms with assets of less than $5,000,000. This suggests that the larger firms were inclined to be a little more stringent in this particular requirement than the smaller firms. A further analysis of the data pertaining to this question revealed that associations in the South, which made the largest average size of loans, reported a range of percentages narrower than that indicated by firms in the other two regions. The range of percentages were as follows: 33 to 60 per cent for firms in the South, 25 to 60 per cent for firms in the North and 20 to 75 per cent for firms in the West.

Defaults on Church Loans

Five associations reported payments slow on 7 church loans during the five-year period covered by the survey. This number of loans is about 3 per cent of all loans made to churches by savings and loan associations. These 7 loans on which slow payments were reported were all secured by real estate mortgages and none of them included provi-

sions for personal endorsements of the notes by responsible members of the churches involved. One firm stated that due to a disagreement between certain trustees of a church and the minister and lack of co-operation from the members, they had asked their attorney for a foreclosure on one church loan which they had made. Another association, which made a total of 30 loans, foreclosed on one loan during this period. After reorganization, the property was sold back to the church group. Payments on the loan have been satisfactory since that time. This association also stated that they had experienced no difficulty with any other church loans which they had made.

Loans Declined

Approximately one-third of the savings and loan associations, which made loans to churches, did not indicate whether or not any church loan applications had been declined (Table 10, page 172). On the other hand, another one-third of the firms specifically indicated that they had declined no applications for loans from churches during the survey period (January 1, 1946, to January 1, 1952). Twenty-one associations reported 92 church loan applications declined during this period, while all 63 church-loan firms approved 280 such loans in the same length of time.

No-Loan Associations

One hundred and sixty responding savings and loan associations reported that no loans had been made to churches from January 1, 1946, to January 1, 1952, Table 18, Appendix C. Twenty firms stated that 29 church loan applications had been declined during this period. Seventy-

TABLE 10

SAMPLE OF CHURCH LOANS DECLINED BY 63 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Item	Association Assets ($ millions)			All Associations
	Less Than 5.0 (Group 1)	5.0 to 20.0 (Group 2)	20.0 and Over (Group 3)	
No. of associations reporting no church loans declined	14	5	1	20
No. of associations not indicating no. of church loans declined	12	7	3*	22
No. of associations declining church loans	9	10	2	21
No. of loan applications declined	17	67	8	92

*These three associations stated that they had declined church loan applications but they further indicated that they had kept no records on the specific number of such loans turned down. The three firms reported a total of 99 loans made to churches during the survey period.

nine of the 160 firms which stated that they had made no loans to churches further indicated that they had declined none, thus giving some evidence of a scarcity of requests for this type of lending. No definite relationship could be established between the associations reporting no church loans declined and the population of cities in which the associations were located. Comments from a few of the firms were as follows:

> We have never had an application for a loan on church property.

We do not make church loans at all.

We have never made a real estate loan to a church.

We have never made a loan to a church. In our 68 years of doing business we have made loans on church property other than the church building itself: parsonages, parish houses, etc. However, we have made none in the past 20 or 25 years. I do not recall that we have had an application for such a loan in the past 20 years.

Another reason for a number of firms not making loans to churches was that they have adopted a general policy of declining this type of loan application. This general policy has been adopted by a number of firms for a number of reasons. The following comments from some of the officers themselves are typical of others:

We do not believe savings and loan associations our size should make church loans.

We do not have any loans on churches as such, but we do have loans on apartment property owned by churches, but only a very few.

We hesitate to make a loan on a church because of the possible embarrassing situation that might arise through necessity of foreclosure on a church.

We make no loans to religious organizations. It is hard to work with non-incorporated outfits and there are frequent changes in Trustees, in such cases, retiring Trustees demand release from liability and too much unpleasantness arises. There is always the problem of poor public relations when church loans are defaulted.

No, we have had no church loans on our books since 1940. Our experience, 1928 to 1940, with churches loans was very bad. We do not care to make them. We find that when churches get into financial difficulties, it is very difficult to force collections. The entire church membership and in fact the entire community resents pressure on a church for payments prom-

ised. Our Board would rather have the loan go to an insurance company, or out-of-town company than to arouse antagonism in a church group who may have a loan with us. Our experience is that all churches get into financial difficulties sooner or later. The note and mortgage is usually signed by a Board of Trustees of a church. The inability to prove definite responsibility for any one on the Board makes it difficult in time of depression for B & L to protect itself, except by foreclosure.

We make loans only on homes.

We have tried not to make loans to churches. We have taken a loan on parsonages, but we would decline to make a loan for construction or purchase of a church building.

A third reason why this type of financial institution did not make loans to churches was to be found in the legal restrictions placed upon their lending activities. Specific statutes with reference to this type of limitation have been cited in an earlier section of this chapter. Therefore, it will suffice to state here that seven associations, which reported no loans to churches, indicated that laws in their respective states (Georgia, Massachusetts, New Jersey, Pennsylvania, Virginia and Wisconsin) limited their participation in church lending activities. Some of the restrictions limited the total amount which could be loaned to such a small figure that the association had insufficient lending capacity to make the loan, while other restrictions did not permit any lending on church property.

Two associations, which had not made loans during the survey period, indicated that they were entering this field of lending, and supplied the following additional information:

We have started making these loans since March 1952. Our experience is definitely limited. We have two loans totaling $54,000. One for new construction and the other for additions to the present building.

> No church loans were granted by this association from January 1, 1946 to January 1, 1952. In March of 1952, we committed ourselves for a $250,000 mortgage at 5 per cent interest, payable at approximately $250 per month. The approximate appraisal of the church building is $2,000,000. The reason for so small a loan is simply that that is all the church needs at this time. We would probably loan up to 50 per cent of the value if requested. ....We have also made preliminary appraisals on two other buildings and have agreed to grant up to 50 per cent of our appraisal.

Factors Influencing Decisions to Make Church Loans

Savings and loan associations as well as other types of financial institutions used several combinations of factors in evaluating church loan applications. In view of the fact that the number of repair loans was rather small, the analysis in this portion of the chapter was made on the basis of the group size of firms rather than on the basis of the use of loans.

Table 19, Appendix C, indicates that the factors influencing decisions to make church loans were placed in the following order of importance by savings and loan associations: (1) value of church property (37 per cent), (2) general character and capacity of the church (30 per cent), (3) the ratio of operating expenses to the income of the church (26 per cent), (4) personal endorsement of the note (four per cent), and (5) other factors (one per cent). It is interesting to note that personal endorsement was used only a small percentage of times by firms of all sizes.

The value of church property was placed first in importance by the two largest size groups of firms and second in importance by the smallest size group of firms. This is in line with information in another portion of this chapter, Table 10, Appendix C, which indicates that

real estate mortgages constituted the most important form of security on loans which were made by savings and loan associations to churches. Statutory requirements, discussed in a previous section of this chapter, have undoubtedly exercised some influence upon the use of this factor. However, mortgages on church property were not used alone in making decisions regarding most church loan applications. The data in Table 19, Appendix C, further indicates that either the general character and capacity of the church or the ratio of operating expenses to the income of the church were used in conjunction with the valuation placed on the church property in deciding whether or not to make church loans. In most cases, all three factors were used. This use of these three factors in combination possibly reflects a recognition of the possible bad public relations which would result if an association should find it necessary to foreclose a church loan.

Other factors, financial and non-financial, were taken into consideration by associations in extending loans to churches. The following comments are representative of others:

> The three loans listed are all for parsonage purchase or construction. The three loans that we rejected were for church edifice use, but in amount or percentage to value that were beyond our capacity to handle. We have not faced any edifice loans which we were in a position to make an affirmative decision.

> The loans we made to the First ... Church was on the home furnished by the church to the pastor. This is different from a loan on a church building, which could not be used for any other purpose. Our loan was made on the pastor's home to be spent on the repairs of the church building. We give you this information for the reason we do not consider this any different from a loan to an individual for the purpose of buying, building or repairing a residence.

We have always made church loans here and have never had any difficulty with one. We have on our books at the present time three loans. We have had three or four more loans on our books, all of which have been paid off satisfactorily.

In the 18 years I have been associated with this savings and loan association, we have made about four or five church loans. Never have we had a default on any one of these loans.

The Board of Directors of this association, which specializes in thrift and home-financing, believes that if such an institution cannot lend a reasonable assistance to churches, which are the main stabilizing factor of home ownership, that the institution cannot reasonably justify its own existence.

Of the churches who have requested mortgages from us, we have granted loans only to the ... Church. The reason for this is that there is a strong wealthy ... which guarantees the church loans. Other churches do not have the organization which can guarantee their mortgage.

We have made two loans this year to churches in the community. In both cases, while the church Trustees signed the note and mortgage, the security was residential houses. In both cases for purposes of good will, we granted better terms than a regular loan would carry. One loan for 4 per cent interest and a 20 year term and the other loan for 4½ per cent and a 15 year term.

Well-to-do churches in this city have either needed no mortgage money or needed such large amounts ($100,000 to $200,000) that our association could not handle, or small congregations from 30 to 75 members which were not stable enough for safe advances. We have had one or two loans to congregations for minister's homes, and to date have had good experience on small commitments of $3,600 to $4,800 on 50 per cent valuation.

We do not make loans to build churches outside of our home town, although we have had several applications. We loaned the ... to build a small church several years ago, we loaned them to build a larger and better church. We loaned the ... money for repairs when the roof was about to fall in due to faulty construction. We have a loan nearly paid off to the ... We have had no trouble with any of them. We figure the

> loan should not be more than 50 per cent of reasonable value of the property, and we go as much by the standing of the responsible church members as anything.
>
> No lender likes a church loan as churches prosper and slump according to the caliber of the preacher, many times. When I say no lender likes a church loan, it is because if the church has financial difficulty and you have to foreclose, there is nothing you can do with the property, and you have probably antagonized a large number of your local residents if they are members of that particular church ....

Summary

In view of the skepticism in financial circles toward church loans, it was interesting to find that such a larger number of savings and loan associations had made loans to churches from January 1, 1946, to January 1, 1952. The following summary may be made of the data presented in this chapter.

First, in spite of the skepticism toward this type of lending, savings and loan associations are definitely continuing to make church loans. Sixty-three of the 223 responding firms reported 280 loans to churches totaling more than $3,959,904. It was also interesting to learn that 79 of the 160 firms which stated that they had made no loans to churches during this period indicated that they had received no requests for loans from churches.

Second, the principal factors used by savings and loan associations in deciding whether or not to make church loans were listed in the following order of importance: (1) the value of church property, (2) the general character and capacity of the church, (3) the ratio of operating expenses to the income of the church, and (4) personal endorsement.

Third, non-financial factors evidently played only a very minor

part in affecting association decisions to make church loans. These factors included such items as: an obligation on the part of savings and loan associations to lend reasonable assistance to churches since they are the main stabilizing factor of home ownership, and the granting of better contract terms on loans to churches secured by residential property for purposes of good will.

Fourth, the vast majority of loans to churches were for expansion of church buildings and equipment. Only 3.7 per cent of the amount of loans were for repairs and no loans were made by savings and loan associations for operating expenses.

Fifth, contract terms on loans granted to churches by savings and loan associations indicated that most loans had interest rates from 4.0 to 5.9 per cent, maturities from 2 to 10 years, loan-to-value ratios from 20 to [illegible]0 per cent, mortgages on the church property for security, and schedules calling for repayments on the loan at least once a month.

Sixth, savings and loan associations made loans to 23 different denominations. Churches of the Baptist denomination received the largest number ([illegible]) and amount (1,127,[illegible]) of loans.

Seventh, all three broad geographical regions of the United States were well represented by associations which had made loans to churches. The average size of loans was highest for firms in the South, second highest for firms in the North and lowest for firms in the West. Data presented in the chapter showed that this was directly related to the fact that church-loan associations were generally larger in the South than in the other two regions, and that associations in the North were generally larger than those in the West.

Eighth, the percentage of the total construction cost which savings and loan associations thought churches should have on hand in the form of cash before applying for a loan average approximately 46 per cent. This was the average for all of the church-loan associations which responded to the survey.

Ninth, the current attitude of savings and loan association officials toward church loans is mixed. Those firms which made loans to churches reported, in general, satisfactory experiences with this type of loan both during the survey period and prior to that time. On the other hand, a few of the firms had not made church loans during this period because of unfavorable experience with this type of lending during the 1930's.

CHAPTER V

SUMMARY AND CONCLUSIONS

Churches in the United States have been engaged in a building boom since 1945 when materials again became freely available. A substantial portion of this increased building activity can be attributed to two pressures: first, a backlog of long overdue expansion and repairs which were delayed by the Great Depression and World War II; and second, the growth of population with an accompanying increase in church membership. In order to meet the need for additional facilities more rapidly, churches again sought financial aid from external sources. Inasmuch as a certain amount of skepticism arose in financial circles toward church loans because of unsatisfactory experiences with this type of lending during the depression of the 1930's, there was some question if churches would find lending institutions receptive to their requests for loans during recent years. Three separate surveys were made of banks, life insurance companies and savings and loan associations to determine if they had made any loans to churches to assist with the financing of church construction from 1946 to 1952. Several conclusions may be drawn from the analysis of these data.

First, churches did secure a large number and amount of loans from banks, life insurance companies and savings and loan associations to assist with the financing of their construction programs which have

been in progress since the end of World War II. In view of the unfavorable experiences with this type of lending during the 1930's, it was interesting to find that about one-half of the responding banks, and about one-third of the responding life insurance companies and savings and loan associations had made loans to churches in the period from January 1, 1946, to January 1, 1952. One hundred thirteen banks made 568 loans to churches during this period with about one-half of the banks indicating that they approved all such applications submitted to them. Twenty-six banks reported that they had turned down loan applications from churches, but only 19 of the 26 gave the specific number. This number was 60. Thirty life insurance companies made 365 loans to churches during the survey period, but only one of these firms stated that it had approved all church loan applications. Twenty of these 30 firms revealed that they had declined requests for loans, but only 10 of the 20 companies reported the exact number. It is significant that the 10 firms, which indicated the number of such loans refused, turned down 412 petitions. Sixty-three savings and loan associations approved 280 loans to church groups. One-third of this number of firms pointed out that they had granted all applications presented to them by churches. On the other hand, another one-third of the 63 responding associations gave information to show that 92 requests for loans had been rejected.

A large percentage of the firms in all three categories, which did not make church loans during the survey period, revealed that they

had simply received no requests for this type of lending. Among those firms which reported no loans to churches, 37 per cent of the insurance companies, 50 per cent of the savings and loan associations and 71 per cent of the banks had not received any applications for loans from church organizations.

Second, life insurance companies were more selective in making church loans than either of the other two groups of firms represented in the study. This is evidenced by the fact that life insurance companies turned down a substantially higher percentage of loan applications from churches than either banks or savings and loan associations. This higher degree of selectivity is further shown by the number of church-loan firms in each category which approved all loan applications submitted to them. One-half of the banks, one-third of the savings and loan associations and only one life insurance company were within this classification. The selectivity appears to have been based on the quality of the particular loan rather than discrimination against any particular denomination. There is a preponderance of data to support this statement. Insurance companies approved loans to at least 20 different denominations, savings and loan associations to 28, and banks to 39. Life insurance companies can be more selective in making church loans than either of the other two groups of firms because their lending activities are generally national in scope while those of banks and savings and loan associations are generally local in nature. The probable influence of local pressures on church lending will be discussed further in the third and seventh conclusions.

Third, the interest rates charged on expansion loans by life insurance companies were generally lower than those exacted by the other two groups of lenders. This was not surprising inasmuch as insurance firms had made larger average size loans than banks or savings and loan associations. This suggests a possible inverse relationship between the size of loans and interest rates. The general tendency for average interest rates to fall with a rise in the average size of loans held for loans made by insurance companies when all of the loans were analyzed together and when the loans were classified according to the recipient denomination. There was some evidence of a similar relationship between the size of loans and interest rates for loans made by banks and savings and loan associations, but the exceptions were too numerous for the establishment of a clearly defined pattern. After classifying the loans made by these two groups of firms according to the recipient denomination, the inverse relationship was even less discernible. This can probably be attributed to the fact that both banks and savings and loan associations do more of their lending to local organizations than do insurance companies; therefore, the interest rates which they charged have been influenced by factors other than the size of loans. There was also considerable evidence that churches of some denominations with better credit ratings than others received a lower interest rate, although the loan amounts were relatively the same.

Banks and savings and loan assoications generally confine their lending activities to the local community while life insurance

companies generally make loans throughout the nation. For this reason, life insurance companies are probably not subject to the same community pressures for the approval of church loans as are the other two groups of lending institutions. However, one company stated that it had given church loan applications consideration in the area in which business was transacted for purposes of goodwill, but it does not actively solicit such loans. The high degree of selectivity exercised by all responding church-loan insurance companies in making this type of loan suggests that this same factor might have influenced their approval of such applications. Other reasons given for entrance into the church loan market were as follows: the scarcity of quality issues with a satisfactory yield in the corporate field, intimate knowledge of a particular church situation and loans secured by residential property.

Fourth, insurance companies called for higher minimum cash requirements from churches seeking loans than either banks or savings and loan associations. All three groups of lenders were asked the question: "What percentage of the total construction cost do you think a church should have on hand in cash before applying for a loan?" The average percentage required was about the same for all three groups. Although the maximum percentage reported by any one firm was about the same for all three categories, the minimum percentage required by any one insurance company was considerably higher than that of any one bank or savings and loan association. Various statutes have evidently

had some influence upon these percentages for all firms concerned; however, the generally larger size of loans made by insurance companies probably contributed to their request for higher minimum cash requirements.

Fifth, insurance companies reported a lower percentage of slow payments on church loans than either of the other two groups of firms. Such a fact should not be startling, because it has already been shown that this group of firms was more selective in making church loans, made larger average size loans and called for higher minimum cash requirements than either banks or savings and loan associations.

Sixth, banks were the only group of lenders which made short-term expansion and repair loans to churches with one exception. The exception was one loan for a very small amount which was made by a savings and loan association. A majority of loans approved by insurance companies were on long-term contracts; a majority of those granted by savings and loan associations were on intermediate-term contracts; while those made by banks were about equally divided between short-term and intermediate-term maturities. Only 7 per cent of the church loans extended by banks carried maturities beyond 10 years.

Banks generally have a substantial percentage of their deposit liabilities on demand, and this has undoubtedly influenced the banks' request for short-term maturities on a relatively high percentage of their loans to churches. The responsibility of insurance companies to their policyholders and savings and loan associations to their

shareholders is generally spread over a longer period of time than that of banks, and this condition is reflected in their extensive use of intermediate-term and long-term contracts.

Seventh, the form of security required on church expansion loans differed considerably among the three groups of lending institutions. The number of repair and operating expense loans was too small in some categories for any meaningful comparisons. None of the expansion loans granted by savings and loan associations and only 2 per cent of those approved by insurance companies were on an unsecured basis, whereas, about 40 per cent of the loans made by banks were so classified. Ninety-two per cent of the expansion loan contracts approved by savings and loan associations and about 70 per cent of those granted by insurance companies were protected by real estate mortgages alone, while only 34 per cent of the loans made by banks included such a provision. Another 28 per cent of the life insurance company loans and another 10 per cent of the bank loans required both a mortgage and personal endorsements.

It is significant that practically all of the secured loans (mortgages and/or mortgages plus personal endorsements) made by these three kinds of lending institutions were either on intermediate- or long-term maturities. This applied to banks as well as the others. Furthermore, unsecured bank loans generally carried maturities of one year or less. Thus, the form of security required on church loans seems definitely related to the contract length of the loans.

That personal endorsements were used more and real estate mortgages used less by banks than by insurance companies reflects the fact that bank lending is generally more local in character than the latter. The probability of bad public relations for the bank if it forecloses a mortgage on church property is abundantly evident in this feature. The lack of such unfavorable reaction if the bank calls on endorsers for payment of the church note is also evident. No lending institution wants to foreclose on church property, but a bank is in a more vulnerable position with respect to public disfavor as a result of such action than an insurance company. Therefore, banks have used personal endorsements extensively on short-term loans and frequently on other maturities.

The relatively high percentage of responding banks making church loans plus the frequent use of personal endorsements as a form of security strongly suggests that banks are subject to considerable local pressure to make this type of loan. It is not unusual for leading church members to also be among the leading business men of the community. It is also likely that many of the bank's customers will be found among the membership of the church. Thus, one is brought face to face with the question of whether banks have made loans to churches because they felt it an opportunity or an obligation.

Although the lending activities of savings and loan associations are also generally local in character, the almost exclusive use of real estate mortgages and the paucity of personal endorsements as a

form of security is apparently due to the use made of the majority of loans obtained from this group of lenders. A number of respondent associations volunteered the information that the loan had been extended to the church to finance the construction of a residence for the minister. The relatively small size of loans, contract terms and statutory lending limitations on savings and loan associations indicate that many more of their loans were made for the same purpose. Thus, personal endorsements have not generally been required on these loans because the residential property could be sold if necessary. And this could be done without the association acquiring the stigma which would attach to the bank which foreclosed on a church edifice. Furthermore, the statutory limitations of several states with regard to the type of lending permissible to a savings and loan association provide some cushion against local pressures for the granting of a church loan.

Eighth, there was considerable variation in the factors which influenced the three groups of lenders to make church loans. All three types of firms were asked to indicate which of the four following factors, which were listed on the questionnaires, influenced their decisions to make church loans: (1) the general character and capacity of the church, (2) the personal endorsement of the note by responsible members of the church, (3) the ratio of operating expenses to the income of the church, and (4) the value of the church property. They were also requested to list any additional factors which might have been considered.

Banks and insurance companies gave first place to the general character and capacity of the church, and second place to the value of church property. Banks placed personal endorsements in third place and the ratio of operating expenses to the income of the church, fourth. Insurance companies reversed the positions of these last two factors. In many instances, personal endorsements were used by banks other than, and in addition to, the use of real estate mortgages as protection on church loans.

Thus, banks and insurance companies gave more weight to the general character and capacity of the church than other factors in influencing decisions to make church loans. The general character of the denomination was important in that some differences in interest rates appear to have been based on this factor. The emphasis accorded the above factors, especially personal endorsements, further amplifies the differences in the backgrounds of church loans and ordinary business loans. Due to the probability of a higher percentage of residential loans, it was not surprising that savings and loan associations gave the value of church property first place and the general character and capacity of the church second.

Ninth, the experience of the depression of the 1930's clearly shows that in most cases the use of a ratio of total debt to total property value of an entire denomination is an inadequate measure of the degree of risk inherent in individual church loans within those denominations. Although practically all denominations reported low

ratios of total debt to total property value in the late twenties, numbers of churches within many of those denominations found themselves in financial difficulty with the onslaught of the Great Depression. One reason for this financial distress was that a large proportion of the debt was carried by a relatively small percentage of the churches within each denomination. This resulted in much higher ratios of debt to property value for individual churches. This conclusion is important because some denominations are still attempting to use a ratio of total debt to total property value for an entire denomination as an indication of the inherent risk in current church financing. Illustrations of the current use of these ratios were cited in Chapter I, page 49, of this paper.

Tenth, church loans are unique; that is, they are quite different from ordinary business loans. Such a distinction is not due to any one feature of church loans, but it is the result of a combination of factors. Three of the most important features will be considered in this conclusion.

The first feature is concerned with the type of security which is generally offered on a church loan. With the exception of residential loans, the property which is generally offered for security is very highly specialized; that is, it can in most cases be used only by a church. There are some situations in which the property could be used for other purposes, but they are the exception, and not the rule. This means that under foreclosure a lending institution would probably have a great deal of difficulty in selling the property for a sufficient

amount of money to satisfy its claim. As a matter of fact, in most cases the property could probably not be sold at all. However, loans made to churches are not the only ones in which single-purpose property is involved. For example: a modern steel mill. Thus, the single-purpose characteristic alone is not sufficient to justify the conclusion that church loans are unique.

Another characteristic is associated with the purpose of organization. A church is a non-profit organization. Its primary function is to provide a moral and spiritual service to the community, and not to make a profit. On the other hand, the church is not the only type of non-profit organization which seeks loans from lending institutions. Many fraternal, civic and eleemosynary groups are also operated on a non-profit basis. Therefore, the non-profit feature of churches does not of itself warrant the use of the term unique.

A third feature concerns the fact that the problem of public relations is more important in a church loan than in an ordinary business loan. When a lender is confronted with a church loan application, he is well aware of the fact that such a loan involves directly a much larger number of persons than an application for a loan from an individual or a business firm. There are also instances when the leaders in the church are also leaders in the business community, and perhaps also leaders in the lending firm itself. There is added pressure upon the lending institution due to the fact that the application is from a church. The church is the citadel of the ethical and moral principles

which serve as the foundations for the entire community life. This means that ethical and emotional factors enter into the consideration of a church loan application in addition to an objective evaluation based only on financial principles. If a lending institution turns down a loan application from a church or if it forecloses a mortgage on church property, it creates unfavorable public relations. These facts, plus the feeling of a moral obligation to assist the churches with loans, place many lenders in an unenviable position. This is especially true where a loan contains a relatively high degree of risk. Public relations are involved in any type of loan, but probably not to the extent found in church loans.

Although no one of the above features of church loans is sufficiently different from ordinary business loans to warrant the use of the term unique, they do establish the distinctiveness of such loans when taken together. It would probably be difficult to find any other type of loan which included all of the following characteristics: (1) the property offered for security is highly-specialized, (2) the organization seeking the loan is non-profit, and (3) the problem of public relations is highly complex.

The three groups of lenders included in this study have definitely been cognizant of the uniqueness of church loans. This is exhibited by a comparison of contract terms on church loans with ordinary business and residential loans. The likelihood of a large percentage of the loans made by savings and loan associations being

granted on residential property has been fully discussed above. Thus, only bank and insurance company loans to churches were compared with loans made by these groups on one- to four-family dwellings and on income-producing properties. The analysis revealed that the contract terms on church loans were different more often than they were like those of the other two kinds of loans. It was also found that a comparison with loans on income-producing properties was generally more pertinent to the purposes of this paper.

It is significant that the average size of loans was higher, the average interest rate was lower and the schedule of repayments was less stringent on bank loans to churches than on income-producing property. Somewhat the opposite was the case with respect to loans made by insurance companies. On the other hand, loans to churches by both financial groups carried shorter maturities and lower loan-to-value ratios than loans on other kinds of property. These facts further accentuate previous statements which suggested that community pressures have had some influence on the granting of church loans by banks. They further indicate that these firms have adjusted their requirements in an attempt to meet the unusual problems inherent in this type of loan.

Eleventh, the borrowing of funds to finance the construction of church buildings represents an important change in the relation of the church to society. Although this is not a phenomena exclusive to the United States in the first half of the twentieth century, it appears

that this is the second time in the history of the Christian Church that this method of financing church buildings has been widely used. Throughout the centuries, church buildings have generally been paid for by voluntary or mandatory contributions. Voluntary contributions came from members of the church, interested parties and/or the ruling monarch. Mandatory contributions were frequently made to church construction costs by the citizens of a community when governments supported the work of the church. But neither of these methods required the church to repay the contributors for the funds so received. They were outright gifts, not loans. It was also a general rule that the church building was paid for by the time the construction was completed.

Thus, the church in early twentieth century America found itself strongly influenced by the prevailing construction and financial systems. Faster production methods make it possible to erect even large church edifices within a relatively short period of time. Church members often desire to have a new or larger church building and to have it "now". But often the time required to complete the construction of the building is much shorter than that required by the members to obtain sufficient funds to pay for it. Consequently, the church has turned to the prevailing financial system for loans to finish paying for its meeting houses. But the financial mechanism from which the church obtains its loans is based on the profit motive, while the church is a non-profit making organization. Out of this, problems arise.

The record reveals that from 1906 to 1926 churches in the United States incurred a continually mounting debt burden in order to expand buildings and equipment. What problems arose, if any, before 1930, the record does not show. However, during the depression of the 1930's, churches and lending institutions encountered embarrassing situations when a number of churches defaulted on their loans. Churches, saddled with burdensome debt payments, watched their annual contributions rapidly decline to an unbelievable low figure. Some were unable to meet payments, othere were unwilling. Lending institutions, rapidly becoming skeptical, held mortgages on church property which if foreclosed would bring unfavorable public reaction and little, if any, financial returns.

Therefore, on such grounds church financing must be approached by both parties from the viewpoint that this is not a standard type of business loan and that this is outside the ordinary routine of lending. Both borrower and lender must understand at the beginning of any such loan transaction that the church depends primarily upon the voluntary contributions of its members for repayment of the loan. It must also be recognized that, in general, a mortgage on church property offers no real protection for the lender's funds. The members of the church must realize that a loan, once obtained, is primarily a moral obligation of <u>all</u> of the church members. They should not even depend upon the personal endorsers to pay the debt. The financial character of a local church can either stand or fall upon its performance of a loan

contract. Such a record also reflects upon the financial character of the entire denomination of which the local church is a part. If the church, as an organization, is to continue to set the moral standards of the nation, it must not lower its performance on financial obligations to what may be financially or legally permissible.

APPENDIX A

TABLE 1

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 113 BANKS IN THE UNITED STATES, CLASSIFIED BY SIZE OF BANK DEPOSITS, JANUARY 1, 1946-JANUARY 1, 1952

Item	Bank Deposits ($ millions)				All Banks
	Less Than 5.0 (Group 1)	5.0 to 25.0 (Group 2)	25.0 to 100.0 (Group 3)	100.0 and Over (Group 4)	
No. of banks making loans to churches	63	21	11	18	113
No. of loans made	187	146	33	202	568
No. of banks making loans on which detailed information can be tabulated ..	61	20	11	13	105
No. of loans made which included detailed information ...	169[a]	84	31	136[b]	420[ab]
Amt. of loans ..	$582,326[a]	$1,005,551	$1,008,150	$15,956,144[b]	$18,552,171[ab]

[a]These included figures from a bank which reported 10 loans ranging from $100 to $10,000. An average of $5,000 for each of 10 loans was used in order to include this information in the tabulation.

[b]These figures include the following: (1) 25 loans from one bank with amounts ranging from a few hundred dollars to $300,000 but for which no individual loans figures were given. An average of $150,000 for each of 25 loans was used for tabulation purposes. (2) An undesignated number of loans totaling $4,350,000.

Data from these two banks were included in the above table in the described manner in order to show these figures in the tabulations.

TABLE 2

NUMBER OF LOANS PER BANK FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY SIZE OF BANK DEPOSITS, JANUARY 1, 1946-JANUARY 1, 1952

Number of Loans	Bank Deposits ($ millions) Less Than 5.0 (Group 1)	5.0 to 25.0 (Group 2)	25.0 to 100.0 (Group 3)	100.0 and Over (Group 4)	All Banks
1	17	4	3	..	24
2	17	6	3	1	27
3	11	2	..	1	14
4	5	1	3	2	11
5	4	2	1	..	7
6	1	..	..	..	1
7	1	1	1	..	3
8	1	..	..	1	2
9	1	1	..	..	2
10	2	..	..	1	3
11	..	..	..	1	1
12	..	1	..	..	1
13	1	..	..	..	1
18	..	1	..	..	1
20	..	..	..	1	1
21	..	..	..	1	1
25	..	..	..	1	1
30	..	..	..	2	2
34	..	..	..	1	1
65	..	1	..	..	1
Totals	61	20	11	13	105

TABLE 3

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND SIZE OF BANK DEPOSITS, JANUARY 1, 1946-JANUARY 1, 1952

Use of Loans	Bank Deposits ($ millions)				All Banks
	Less Than 5.0 (Group 1)	5.0 to 25.0 (Group 2)	25.0 to 100.0 (Group 3)	100.0 and Over (Group 4)	
Operating Expenses					
Number	15	8	1	11	35
Amount	$ 11,100	$ 9,375	$ 5,000	$ 705,550	$ 731,025
Expansion[a]					
Number	79	32	18	83	212
Amount	$438,792	$ 858,000	$ 855,500	$ 6,746,680	$ 8,898,972
Repairs					
Number	67	30	9	15	121
Amount	$121,384	$ 110,901	$ 128,750	$ 376,914	$ 737,949
Other Uses[b]					
Number	2	3	..	2	7
Amount	$ 2,200	$ 2,300	....	$ 27,000	$ 31,500
Not Indicated[c]					
Number	6	11	3	25[d]	45
Amount	$ 8,850	$ 24,975	$ 18,900	$ 8,100,000[d]	$ 8,152,725
Totals					
Number	169	84	31	136	420
Amount	$582,326	$1,005,551	$1,008,150	$15,956,144	$18,552,171

[a]Expansion includes loans made to churches for new buildings, additions to present buildings and construction loans.

[b]Other uses include loans for new organs, insurance loans and moving an old tower.

[c]This classification includes those loans reported but for which the banks did not indicate the use.

[d]These numbers and amounts include: (1) 25 loans for $3,750,000 which were designated for operating expenses, expansion and repairs but for which no seperate classifications were given, and (2) an undesignated number of loans for $4,350,000 which were also not classified as to use.

TABLE 4

AVERAGE SIZE AND RANGE AMOUNTS OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND SIZE OF BANK DEPOSITS, JANUARY 1, 1946-JANUARY 1, 1952

Use Made of Loans	Bank Deposits ($ millions)				All Banks
	Less Than 5.0 (Group 1)	5.0 to 25.0 (Group 2)	25.0 to 100.0 (Group 3)	100.0 and Over (Group 4)	
	Range Amounts of Loans				
Operating Expenses ...	$ 100 to 2,500	$ 500 to 4,655	$ 5,000	$ 3,350 to 500,000	$ 100 to 500,000
Expansion ...	100 to 40,000	120 to 50,000	2,500 to 200,000	3,000 to 1,015,000	100 to 1,015,000
Repairs	31 to 12,000	600 to 30,000	750 to 75,000	4,000* to 200,000	31 to 200,000
	Average Size of Loans				
Operating Expenses ...	$ 740	$ 1,171	$ 5,000	$ 64,141	$ 20,886
Expansion ...	5,554	26,812	47,527	86,408	41,971
Repairs	1,812	3,696	14,305	25,127	6,099

*There was one loan in this group size for $403, but inasmuch as it was the only one for less than $4,000, it seemed that the latter figure was more representative of the general spread of the amount of loans for this group of banks.

TABLE 5

RATIOS OF EXPANSION TO REPAIR LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, JANUARY 1, 1946-JANUARY 1, 1952 CLASSIFIED BY SIZE OF BANK DEPOSITS AND POPULATION CHANGES, 1940-1950

Bank Deposits ($ millions)	Population Changes for Cities in Which Banks Were Located, 1940-1950*	
	Less Than 10% Increase	More Than 10% Increase
Ratios: Number of Loans for Expansion to Number of Loans for Repairs		
Less than 5.0		
pop. under 2,500	0.6	1.3
pop. over 2,500	1.5	2.0
5.0 - 25.0	0.6	5.3
25.0 - 100.0	1.4	4.0
100.0 and over	3.2	38.0
Ratios: Amount of Loans for Expansion to Amount of Loans for Repairs		
Less than 5.0		
pop. under 2,500	2.1	6.3
pop. over 2,500	2.1	6.8
5.0 - 25.0	2.4	19.7
25.0 - 100.0	2.9	40.8
100.0 and over	12.3	363.5
Number of Banks		
Less than 5.0		
pop. under 2,500	19	21
pop. over 2,500	11	8
5.0 - 25.0	9	11
25.0 - 100.0	6	5
100.0 and over	9	4
Totals	54	49

*U.S. Bureau of the Census, Census of Population: 1950, Vol. I, Number of Inhabitants (Washington: Government Printing Office, 1952), pp. 2-7 to 50-10.

TABLE 6

RATIOS OF EXPANSION TO OPERATING EXPENSE LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, JANUARY 1, 1946-JANUARY 1, 1952, CLASSIFIED BY SIZE OF BANK DEPOSITS AND POPULATION CHANGES, 1940-1950

Bank Deposits ($ millions)	Population Changes for Cities in Which Banks Were Located, 1940-1950[a] Less Than 10% Increase	Population Changes for Cities in Which Banks Were Located, 1940-1950[a] More Than 10% Increase
Ratios: Number of Loans for Expansion to Number of Loans for Operating Expenses		
Less than 5.0		
pop. under 2,500	1.9	6.5
pop. over 2,500	20.0	(b)
5.0 - 25.0	5.3	3.2
25.0 - 100.0	10.0	(b)
100.0 and over	4.5	38.0
Ratios: Amount of Loans for Expansion to Amount of Loans for Operating Expenses		
Less than 5.0		
pop. under 2,500	7.6	81.0
pop. over 2,500	461.2	(b)
5.0 - 25.0	125.6	85.8
25.0 - 100.0	69.1	(b)
100.0 and over	6.6	155.8

[a]U.S. Bureau of the Census, Census of Population: 1950, Vol. I, Number of Inhabitants (Washington: Government Printing Office, 1952), pp. 2-7 to 50-10.

[b]These banks made no loans for operating expenses.

TABLE 7

AVERAGE AMOUNTS OF LOANS PER BANK FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, JANUARY 1, 1946-JANUARY 1, 1952, CLASSIFIED BY USE OF LOANS, SIZE OF BANK DEPOSITS AND POPULATION CHANGES, 1940-1950

Bank Deposits ($ millions)	Population Changes 1940-1950 for Cities in Which Banks Are Located[a]	
	Less Than 10% Increase	More Than 10% Increase
Loans Used for Operating Expenses		
Less than 5.0		
pop. under 2,500	$ 475	$ 86
pop. over 2,500	22	(b)
5.0 - 25.0	166	716
25.0 - 100.0	833	(b)
100.0 and over	76,840	3,500
Loans Used for Expansion		
Less than 5.0		
pop. under 2,500	$ 3,621	$ 6,946
pop. over 2,500	10,482	11,665
5.0 - 25.0	20,944	60,683
25.0 - 100.0	57,583	102,000
100.0 and over	507,264	545,325
Loans Used for Repairs		
Less than 5.0		
pop. under 2,500	$ 1,701	$ 1,091
pop. over 2,500	4,786	1,687
5.0 - 25.0	8,549	3,087
25.0 - 100.0	19,375	2,500
100.0 and over	41,212	1,500

[a]U.S. Bureau of the Census, Census of Population: 1950, Vol. I, Number of Inhabitants (Washington: Government Printing Office, 1952), pp. 2-7 to 50-10.

[b]These banks made no loans for operating expenses.

TABLE 8

PERCENTAGE DISTRIBUTION OF THE NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY CONTRACT TERMS AND USE OF LOANS, JANUARY 1, 1946-JANUARY 1, 1952

Contract Terms	Use of Loans					
	Expansion		Repairs		Operating Expenses	
	No. of Loans (%)	Amt. of Loans (%)	No. of Loans (%)	Amt. of Loans (%)	No. of Loans (%)	Amt. of Loans (%)
Contract length						
Demand	10.8	5.3	20.8	16.6	5.7	4.4
30-360 days	35.4	35.9	35.5	19.0	77.1	83.9
2- 10 years	46.7	52.9	31.4	55.5	2.9	11.0
11-20 years	4.3	5.7	3.3	4.4	....	....
Over 20 years	2.8	0.2	9.0	4.5	14.3	0.7
Contract interest rate						
Less than 3.0	1.5	0.7	....	....	5.7	79.3
3.0 - 3.9	13.7	43.3	9.9	19.8	8.6	5.9
4.0 - 4.9	27.9	23.3	28.1	58.9	20.0	10.1
5.0 - 5.9	30.6	28.4	12.4	8.2	25.7	2.9
6.0 - 6.9	12.7	1.5	19.9	7.6	14.3	0.1
7.0 - 7.9	....	....	....	....	....	....
8.0 and over	....	....	7.4	0.1	2.9	0.1
Not indicated	13.6	2.8	22.3	5.4	22.8	1.6
Loan-to-value ratio*						
Less than 20%	13.7	8.3	19.9	12.2	17.1	7.3
20 - 39	29.2	34.1	6.6	45.6	6.0	11.6
40 - 59	12.2	13.2	1.0	0.6	....	....
60 and over	2.0	1.1	2.4	2.3	....	....
Not indicated	42.9	43.3	70.1	39.3	76.9	81.1

*The term loan-to-value ratio is used in this study to indicate the ratio between the amount of the loan and the appraised value of the property on which the loan is made.

TABLE 9

AVERAGE INTEREST RATES FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND CONTRACT TERMS, JANUARY 1, 1946-JANUARY 1, 1952

Contract Terms	Use of Loans					
	Expansion		Repairs		Operating Expenses	
	No. of Loans	Average Interest Rates	No. of Loans	Average Interest Rates	No. of Loans	Average Interest Rates
Loan-to-Value Ratio						
Less than 20%	29	4.9%	24	4.6%	6	5.0%
20 - 39	62	4.7	8	4.4	2	3.0
40 - 59	26	4.2	1	3.0	..	...
60 and over ...	4	4.6	3	3.3	..	...
Not Indicated .	91	4.3	85	4.5	27	4.8
Contract Length						
Demand	23	4.2%	25	4.3%	2	3.4%
20 - 360 days .	75	4.5	39	4.2	27	4.5
2 - 10 years	99	5.1	42	5.5	1	2.5
11 - 20 years	9	3.9	4	3.0	..	...
Over 20 years..	..	...	..	...	..	...
Not Indicated .	6	5.2	11	5.3	5	...
Loan Amount						
$ 5,000 or less	78	5.1%	96	5.2%	26	5.2%
5,001 - 10,000	26	4.5	15	4.4	3	3.6
10,001 - 20,000	21	3.5	5	4.2	3	3.9
20,001 - 40,000	33	4.4	2	3.5	..	...
40,001 - 60,000	16	4.0	1	3.0	1	4.0
60,001 - 80,000	9	4.8	1	4.0	1	2.5
80,001 - 100,000	13	4.3	..	...	..	...
100,001 - 200,000	12	4.1	1	4.0	..	...
200,001 and over	4	3.5	..	...	1	2.5
Not Indicated ...	..	...	..	...	..	...

TABLE 10

AVERAGE INTEREST RATES AND AVERAGE MATURITIES FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND AMOUNT OF LOANS, JANUARY 1, 1946-JANUARY 1, 1952

Amount of Loans	Contract Terms			
	No. of Loans	Average Interest Rates	No. of Loans	Average Maturities
Expansion Loans				
$ 5,000 or less ..	78	5.1%	74	2.04 yrs.
5,001 - 10,000	26	4.5	25	3.82
10,001 - 20,000	21	3.5	20	4.38
20,001 - 40,000	33	4.4	33	6.54
40,001 - 60,000	16	4.0	16	6.33
60,001 - 80,000	9	4.8	9	6.61
80,001 - 100,000	13	4.3	13	8.23
100,001 - 200,000	12	4.1	12	7.03
200,001 and over	4	3.5	4	0.50
Repair Loans				
$ 5,000 or less ..	96	5.2%	86	2.18 yrs.
5,001 - 10,000	15	4.4	15	8.13
10,001 - 20,000	5	4.2	4	7.71
20,001 - 40,000	2	3.5	2	0.16
40,001 - 60,000	1	3.0	1	0.08
60,001 - 80,000	1	4.0	1	10.00
80,001 - 100,000	..	...	..	....
100,001 - 200,000	1	4.0	1	10.00
200,001 and over	..	...	..	....
Operating Expense Loans				
$ 5,000 or less..	26	5.2%	21	154 das.
5,001 - 10,000	3	2.6	3	120 das.
10,001 - 20,000	3	3.9	3	50 das.
20,001 - 40,000	..	...	..	...
40,001 - 60,000	1	4.0	1	90 das.
60,001 - 80,000	1	2.5	1	3.5 yrs.
80,001 - 100,000	..	...	..	...
100,001 - 200,000	..	...	..	...
200,001 and over	1	2.5	1	180 das.

TABLE 11

AVERAGE MATURITIES, NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND SCHEDULE OF REPAYMENTS, JANUARY 1, 1946-JANUARY 1, 1952

Schedule of Repayments	No. of Loans	Amt. of Loans	No. of Loans	Average Maturities
		Expansion Loans		
Monthly	92	$3,364,323	91	7.00 yrs.
Bi-monthly	4	904,149	4	0.67
Quarterly	37	2,040,050	35	3.07
Semi-annually .	33	663,100	33	2.44
Annually	15	313,100	15	4.87
Other	1	40,000	1	3.00
Not indicated .	30	1,574,250	27	0.84
Totals	212	8,898,972	206	4.47
		Repair Loans		
Monthly	52	$ 311,482	52	5.77 yrs.
Bi-monthly	3	8,463	3	0.42
Quarterly	25	44,903	25	0.31
Semi-annually .	17	75,613	17	1.48
Annually	5	211,700	5	3.00
Other	3	20,600	3	1.04
Not indicated .	16	65,188	5	0.21
Totals	121	737,949	110	3.26
		Operating Expense Loans		
Monthly	4	$ 29,950	4	0.35 yrs.
Bi-monthly	1	15,000	1	0.08
Quarterly	16	156,890	16	0.50
Semi-annually .	3	1,560	3	0.50
Annually	3	5,125	3	0.83
Other	..	.....	..	....
Not indicated .	8	522,500	3	0.41
Totals	35	731,025	30	0.49

TABLE 12

AVERAGE INTEREST RATES AND AVERAGE MATURITIES FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND FORM OF SECURITY, JANUARY 1, 1946-JANUARY 1, 1952

Form of Security	No. of Loans	Amt. of Loans	Average Maturities	Average Interest Rates
		Expansion Loans		
Unsecured				
Promissory note	40	$2,339,373	0.79 yrs.	3.8%
Personal endorsement	38	532,819	0.94	5.1
Secured				
Real estate mtg. ...	82	2,732,100	6.36	4.6
Endorsement & mtg. .	33	1,905,500	8.70	4.8
Bonds	2	42,250	0.08	4.2
Other	1	1,015,000	3.50	3.5
Not indicated	16	281,930	0.54	4.5
Totals	212	8,898,972	....	...
		Repair Loans		
Unsecured				
Promissory note	33	$ 153,688	0.75 yrs.	4.3%
Personal endorsement	27	53,530	0.87	4.3
Secured				
Real estate mtg. ...	45	509,781	8.50	5.3
Endorsement & mtg. .	3	2,752	8.00	8.0
Bonds	3	9,028	0.16	3.6
Other	1	403	3.00	3.0
Not indicated	9	8,767	0.68	4.1
Totals	121	737,949	....	...
		Operating Expense Loans		
Unsecured				
Promissory note	11	$ 40,075	0.39 yrs.	4.6%
Personal endorsement	9	76,750	0.33	5.2
Secured				
Real estate mtg. ...	1	80,000	3.50	2.5
Endorsement & mtg. .	..	......	....	...
Bonds	1	15,000	0.08	3.2
Other	2	420	0.75	5.0
Not indicated	11	518,730	0.37	4.1
Totals	35	731,025	....	...

TABLE 13

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND DENOMINATIONS, JANUARY 1, 1946-JANUARY 1, 1952

Denomination	No. of Loans	Per Cent of Total Number	Amt. of Loans	Per Cent of Total Amount
		Expansion Loans		
Baptist	52	24.6%	$1,861,919	20.9%
Catholic	22	10.5	2,917,480	32.8
Methodist	17	8.0	475,500	5.4
Lutheran	15	7.1	1,651,500	18.6
Presbyterian ...	11	5.2	587,300	6.7
Episcopal	6	2.8	182,000	2.0
Congregational .	6	2.8	48,100	0.5
Jewish	5	2.3	237,500	2.6
Christian	4	1.9	44,300	0.5
Other Protestant	54	25.4	579,073	6.5
Not indicated ..	20	9.4	314,306	3.5
Totals	212	100.0	8,898,978	100.0
		Repair Loans		
Methodist	26	21.6%	$ 150,211	20.4%
Baptist	13	10.9	46,887	6.4
Episcopal	9	7.5	32,321	4.4
Presbyterian ...	7	5.9	24,157	3.3
Congregational .	6	5.0	24,300	3.4
Lutheran	6	5.0	15,250	2.1
Catholic	4	3.3	92,000	12.4
Christian	2	1.6	200,500	27.1
Jewish	..	...	......	....
Other Protestant	19	15.7	63,330	8.5
Not indicated ..	29	23.5	88,993	12.0
Totals	121	100.0	737,949	100.0

TABLE 14

SAMPLE OF CHURCH OPERATING EXPENSE LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY DENOMINATION, JANUARY 1, 1946-JANUARY 1, 1952

Denomination	No. of Loans	Percentage	Amt. of Loans	Percentage
Methodist	6	17.2%	$ 47,720	6.6%
Congregational .	4	11.5	3,780	0.6
Catholic	3	8.6	585,000	80.0
Baptist	3	8.6	39,200	5.3
Presbyterian ...	2	5.7	4,905	0.7
Lutheran	2	5.7	820	0.1
Episcopal	1	2.8	10,000	1.3
Jewish	1	2.8	8,000	1.1
Christian	..	...	.....	...
Other Protestant	7	20.0	21,600	3.0
Not indicated ..	6	17.1	10,000	1.3
Totals	35	100.0	731,025	100.0

TABLE 15

CONTRACT TERMS AND PAYMENT RECORD FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY USE OF LOAN AND DENOMINATION, JANUARY 1, 1946-JANUARY 1, 1952[a]

Denomination	Contract Terms			Payment Record		
	Average Interest Rates	Average Contract Lengths	Average Size of Loans	Prompt	Slow	Not Indicated
Expansion Loans						
Catholic	3.3%	2.83 yrs.	$132,612	17	..	5
Congregational .	3.6	1.46	8,016	3	..	3
Lutheran	3.6	7.51	110,100	14	..	1
Presbyterian ...	4.0	8.31	53,391	11	..	..
Jewish	4.0	5.11	47,500	..	..	5
Episcopal	4.1	1.40	30,333	5	..	1
Methodist	4.4	8.60	27,970	17	..	..
Baptist	5.0	4.24	35,806	48	2	2
Christian	(5.2)[b]	(2.89)[b]	(11,075)	3	1	..
Other Protestant	4.6	3.20	10,723	41	2	11
Not indicated ..	4.7	3.94	15,710	17	1	2
Repair Loans						
Catholic	(3.2)%[b]	(5.06)yrs.[b]	($23,000)	3	..	1
Episcopal	3.7	1.40	3,591	9	..	..
Christian	4.0	5.25	100,250	2	..	..
Presbyterian ...	4.0	3.90	3,451	7	..	..
Baptist	4.2	3.78	3,607	13	..	..
Congregational .	4.8	3.43	4,050	6	..	..
Lutheran	4.8	3.11	2,541	6	..	..
Methodist	5.1	1.96	5,778	20	3	3
Jewish	...	....	.....	..	..	..
Other Protestant	4.5	2.91	3,333	12	..	7
Not indicated ..	6.2	4.74	3,068	20	3	6

[a]The number of operating expense loans was so small when they were classified by denominations that a comparison of contract terms was of little value, therefore, this tabulation was omitted from the above table.

[b]The parenthesis are used above to indicate averages based on less than 5 loans.

TABLE 16

AVERAGE AMOUNT OF LOANS AND AVERAGE INTEREST RATES FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY BANK LOCATION, JANUARY 1, 1946-JANUARY 1, 1952

Geographical Location[a]	No. of Banks	No. of Loans	Amount of Loans	Average Amount of Loans per Bank	Average Size of Loans	Average Interest Rate per Loan
North	59	207	$10,878,878	$184,387	$31,540	4.22%
District 1	11	65	2,433,002	221,182	37,431	3.79
District 2	12	34	5,418,750	418,827	31,434	4.31
District 3	10	43	1,662,674	166,267	38,667	4.30
District 4	7	24	742,800	106,114	30,950	4.43
District 7	19	41	621,602	32,716	15,161	4.64
South	24	145	7,236,413	301,517	49,906	5.29
District 5	8	29	647,500	80,947	22,396	4.74
District 6	10	92	5,982,313	598,231	64,590	5.72
District 8	6	24	606,600	101,100	25,275	4.34
West	22	68	436,930	19,860	6,425	5.91
District 9	5	12	151,850	30,370	12,654	4.83
District 10	3	9	39,813	13,271	4,424	5.66
District 11[b]	4	11	49,569	12,392	4,506	5.50
District 12	10	36	195,698	19,569	5,436	5.11
Totals	105	420	18,552,171	176,687	33,814	4.77

[a]Geographical location was determined by each bank's Federal Reserve District. The district numbers used in the table refer to the Federal Reserve District. This and other tables in the section of the chapter combine the Federal Reserve Districts by regions in order to make regional comparisons of the data, and also due to the low number of loans reported in some districts.

[b]There was some question about including District 11 in the Western Region, however, this geographical area is sometimes so regionally placed in other studies of similar nature. Behrens, op. cit., p. 38. Two other reasons also prompted this action: (1) 3 of the 4 banks were west of Dallas, Texas, and this area is generally referred to as "West" Texas economically as well as geographically; and (2) the average amount of loans per bank, the average size of loans, and the average interest rates were more nearly like those reported by banks in the western States than those reported by banks in southern States.

TABLE 17

SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY BANK LOCATION AND NUMBER OF LOANS MADE PER BANK, JANUARY 1, 1946-JANUARY 1, 1952

No. of Loans Made per Bank	Geographical Location			All Regions
	North	South	West	
1	16	4	4	24
2	14	7	6	27
3	8	2	4	14
4	10	1	..	11
5	1	2	4	7
6	1	..	..	1
7	1	1	1	3
8	1	..	1	2
9	1	..	1	2
10	..	3	..	3
11	1	..	..	1
12	1	..	..	1
13	1	..	..	1
18	..	1	..	1
20	..	1	..	1
21	1	..	..	1
25	..	1	..	1
30	1	1	..	2
34	1	..	..	1
65	..	..	1	1
Totals	59	24	22	105

TABLE 18

SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY BANK LOCATION, USE OF LOANS AND SCHEDULE OF REPAYMENTS, JANUARY 1, 1946-JANUARY 1, 1952

Schedule of Repayments	Geographical Location					
	North		South		West	
	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans
			Expansion Loans			
Monthly	32	$ 904,550	39	$2,263,100	21	$196,273
Bi-monthly ...	1	900,000	1	2,200	2	1,949
Quarterly	20	1,644,450	14	380,200	3	15,400
Semi-annually	18	478,780	8	169,600	7	14,720
Annually	6	96,500	7	200,800	2	15,800
Other	1	40,000	..	....	..	......
Not indicated	14	1,406,200	10	50,000	6	118,450
Totals ..	92	5,470,480	79	3,065,900	41	362,592
			Repair Loans			
Monthly	27	$ 240,821	18	$ 50,311	7	$ 26,350
Bi-monthly ...	1	4,911	2	3,552	..	......
Quarterly	20	34,303	4	5,600	1	5,000
Semi-annually	14	44,750	2	30,200	1	1,163
Annually	1	3,000	4	208,700	..	......
Other	2	20,000	..	....	1	600
Not indicated	7	40,938	6	15,150	3	2,600
Totals ..	72	388,723	36	313,513	13	35,713
			Operating Expense Loans			
Monthly	4	$ 29,950	..	$	..	$ ......
Bi-monthly ...	1	15,000	..	....	..	......
Quarterly	13	62,640	2	94,000	1	250
Semi-annually	2	360	..	....	..	......
Annually	3	5,125	..	....	..	......
Other	..	.....	..	....	..	......
Not indicated	9	523,700	..	....	..	......
Totals ..	32	636,775	2	94,000	1	250

TABLE 19

SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY BANK LOCATION AND DENOMINATION, JANUARY 1, 1946-JANUARY 1, 1952

Denomination	Geographical Location					
	North		South		West	
	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans
Catholic	24	$3,423,480	3	$ 135,000	4	$ 55,000
Lutheran	11	1,104,970	9	540,500	4	23,600
Other Protestant	51	461,680	12	75,800	18	141,523
Baptist	26	379,737	29	1,520,800	18	64,519
Methodist	31	368,348	18	303,983	1	2,300
Presbyterian ...	15	299,512	5	317,300	1	250
Jewish	5	225,500	1	20,000	..	.....
Congregational .	14	73,780	..	......	2	2,400
Episcopal	12	47,421	4	77,500	1	100,000
Christian	2	9,500	3	231,000	1	4,300
Not indicated ..	16	4,484,900*	61	4,014,530	18	43,038
Totals	207	10,878,828*	145	7,236,413	68	436,930

*Loans totaling $4,350,000 which were made by one bank in the North were not included in this figure inasmuch as that bank did not indicate the number of such loans.

TABLE 20

AVERAGE INTEREST RATES AND AVERAGE SIZE OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 105 BANKS IN THE UNITED STATES, CLASSIFIED BY BANK LOCATION AND DENOMINATION, JANUARY 1, 1946-JANUARY 1, 1952

Denomination[a]	Geographical Location					
	North		South		West	
	Average Size of Loans	Average Interest Rate	Average Size of Loans	Average Interest Rate	Average Size of Loans	Avg. Interest Rate
Episcopal	$ 3,951	3.1%	$(19,375)[b]	(4.2)%[b]	$(100,000)[b]	(4.5)%[b]
Catholic	142,645	3.2	(45,000)	(3.3)	(13,750)	(3.8)
Jewish	45,100	4.0	(20,000)	(4.0)	......	...
Presbyterian ..	19,967	4.1	63,460	4.0	(250)	(8.0)
Lutheran	100,452	4.2	60,055	4.9	(5,900)	(5.0)
Methodist	11,882	4.3	16,888	5.3	(2,300)	(6.0)
Other Protestant	9,052	4.4	6,316	5.0	7,862	5.4
Congregational	5,270	4.5	......	...	(1,200)	(6.0)
Baptist	14,605	4.8	52,441	5.0	3,584	5.3
Christian	(4,750)	(5.0)	(77,000)	(4.6)	(4,300)	(5.0)
Not indicated .	8,431	4.3	65,812	5.9	2,391	4.8

[a]Denominations are listed in this table on their respective positions with respect to interest rates paid on loans in the North. Lowest interest paid is listed first.

[b]The parenthesis are used above to indicate averages based on less than 5 loans.

TABLE 21

DISTRIBUTION OF CHURCH-LOAN BANKS WHICH DECLINED LOANS TO CHURCHES FOR A SAMPLE OF CHURCH LOANS MADE BY 113 BANKS IN THE UNITED STATES, CLASSIFIED BY SIZE OF BANK DEPOSITS, JANUARY 1, 1946-JANUARY 1, 1952

Item	Bank Deposits ($ millions)				Totals
	Less Than 5.0	5.0 to 25.0	25.0 to 100.0	100.0 and Over	
No. church-loan banks	63	21	11	18	113
No. church-loan banks which declined loans to churches	8	4	5	9	26*
No. church-loan banks which declined no loans to churches ..	42	12	4	3	61
No. church-loan banks which did not indicate no. of loans declined to churches	13	5	2	6	26
Totals	63	21	11	18	113
No. of loans made ...	187	146	33	202	568
No. of loans declined	8	7	11	34	60*

*Seven of these 26 banks indicated that they had declined church loan applications during this five-year period, but they did not state the specific number. Therefore, the total number of loans declined by banks of all sizes (60) does not include any figures for these 7 banks.

TABLE 22

SAMPLE OF 102 NO CHURCH-LOAN BANKS IN THE UNITED STATES, JANUARY 1, 1946-JANUARY 1, 1952, CLASSIFIED BY BANK DEPOSITS, AND PERCENTAGE INCREASE IN POPULATION, 1940-1950

Item	Bank Deposits ($ millions)							
	Less Than 5.0[b]		5.0 to 25.0		25.0 to 100.0		100.0 and Over	
	Population Increase, 1940-1950[a]		Population Increase, 1940-1950[a]		Population Increase, 1940-1950[a]		Population Increase, 1940-1950[a]	
	Under 10%	Over 10%	Under 10%	Over 10%	Under 10%	Over 10%	Under 10%	Over 10%
No. of banks reporting no church loans	46	25	11	1	7	2	7	..
No. of banks reporting no loans declined	37	14	10	1	5	1	4	..
No. of banks not indicating whether or not loans declined ..	7	9	1	..	1	1	3	..
No. of banks reporting loans declined ..	2	2	..	..	1	..	..	..
Totals	46	25	11	1	7	2	7	..
No. of loans declined	2	3	..	..	5	..	..	..

[a]U.S. Bureau of the Census, Census of Population: 1950, Vol. I, Number of Inhabitants (Washington: Government Printing Office, 1952), pp. 2-7 to 50-10.

[b]Population figures for 1940 were not available for two of the cities in the group of banks with deposits of less than $5,000,000. One of these banks had declined two church loan applications while the other bank had declined none. Neither were figures available for one of the cities in the group of banks with deposits from $5,000,000, to $25,000,000. This bank had declined no applications.

TABLE 23

PERCENTAGE DISTRIBUTION OF 1,000 QUESTIONNAIRES SENT TO BANKS IN THE UNITED STATES FOR CHURCH LOAN EXPERIENCE SURVEY, CLASSIFIED BY STATES, JANUARY 1, 1946-JANUARY 1, 1952

State	Percentage of Total Church Membership*	Number of Questionnaires Sent to Each State
Alabama	2.0%	20
Arizona	0.4	4
Arkansas	1.0	10
California	3.4	34
Colorado	0.6	6
Connecticut	2.0	20
Delaware	0.4	4
District of Col.	0.6	6
Florida	1.2	12
Georgia	2.2	22
Idaho	0.4	4
Illinois	6.4	64
Iowa	2.0	20
Kansas	1.2	12
Kentucky	1.6	16
Louisiana	2.0	20
Maine	0.6	6
Maryland	1.4	14
Massachusetts	4.6	46
Michigan	3.2	32
Minnesota	2.4	24
Mississippi	1.4	14
Missouri	2.6	26
Montana	0.4	4
Nebraska	1.0	10
Nevada	0.2	2
New Hampshire	0.4	4
New Jersey	4.2	42
New Mexico	0.6	6
New York	12.8	128
North Carolina	2.8	28
North Dakota	0.6	6
Ohio	5.0	50
Oklahoma	1.0	10
Oregon	0.4	4
Pennsylvania	10.0	100
Rhode Island	0.8	8
South Carolina	1.4	14
South Dakota	0.6	6
Tennessee	1.8	18
Texas	4.2	42

TABLE 23 - Continued

State	Percentage of Total Church Membership	Number of Questionnaires Sent to Each State
Utah	0.8%	8
Vermont	0.4	4
Virginia	2.0	20
Washington	0.6	6
West Virginia	1.0	10
Wisconsin	3.0	30
Wyoming	0.2	2
Totals	100.0	1,000

*Estimates of church membership by states are for all denominations and are based on information contained in a personal letter from Benson Y. Landis, Editor, Yearbook of American Churches, and Association Executive Director, Central Department of Research and Survey, National Council of the Churches of Christ in the United States of America.

Sampling Procedure

In this survey, 1,000 questionnaires were to be sent to banks in the continental United States asking for their experiences with church loans from January 1, 1946 through January 1, 1952. The finite universe selected for the survey was composed of the 14,754 banks in the continental United States.[1] It was considered desirable to stratify the sample on the basis of both the size and the geographical location of banks.

One-half of the questionnaires were to be sent to the small banks and the other half were to be sent to the large banks. Size stratification on the basis of total bank deposits was accomplished by dividing the 14,754 banks in the United States into two equal groups of 7,377 each. Information in a current bank directory already indicated that there were 2,542 banks with deposits of $1,000,000, or less, and 4,362 banks with deposits of $5,000,000, or more.[2] Therefore, it was necessary only to determine the mid-way point among the 7,850 banks with total deposits from $1,000,000 to $5,000,000. Inasmuch as there was a rather large number of banks in this size group, an actual count was used to determine that the deposit figure of $2,600,000 was the approximate dividing line, with 7,377 banks having deposits of less than $2,600,000, and the other 7,377 banks having deposits of more than $2,600,000.

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[1] Rand McNally Bankers Directory, (1st. ed., Chicago: Rand McNally & Co., 1951), p. 293.

[2] Ibid.

Geographical distribution was accomplished by apportioning the 1,000 questionnaires, among the various states, on the basis of each state's respective share of the total church membership of the United States for the year 1950 (Table 23). One-half of the questionnaires, apportioned to each state, were sent to the small banks, while the other half went to the large banks.

In order to secure a relatively true random sample of banks in each state, all banks in the finite universe were numbered in the bank directory, by page and by the relative position of the bank on that page.[1] The banks were taken consecutively. Thus, on page 145, bank number 7 would be designated as 1457. A table of random numbers was used for selecting the number of the banks which were to receive the questionnaires.[2] The list of random numbers was made sufficiently long to assure an adequate supply for both the small and large banks within each state.

Two hundred and fifteen, or 21.5 per cent of the 1,000 banks, returned the questionnaires.

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[1] Polk's Bankers Encyclopedia, The Bank Directory, (114th. ed., Nashville: R.L. Polk & Co., 1951), pp. 143-2285.

[2] W.A. Neiswanger, F.B. Haworth, and W.L. Leavitt, Laboratory Manual for Elementary Statistical Methods as Applied to Business and Economic Data (rev. ed., New York: The Macmillan Company, 1950), pp. 152-156.

APPENDIX B

TABLE 1

TOTAL ASSETS AND TOTAL NUMBER OF INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY COMPANIES IN THE UNITED STATES, COMPANIES SENT QUESTIONNAIRES, COMPANIES RESPONDING TO QUESTIONNAIRES, COMPANIES MAKING CHURCH LOANS AND SIZE OF COMPANY ASSETS, JANUARY 1, 1940-JANUARY 1, 1952[a]

	Company Assets ($ millions)			All Companies
	Less Than 100.0 (Group 1)	100.0 to 600.0 (Group 2)	600.0 and Over (Group 3)	
Companies in U.S.				
Number	...	...	...	557[c]
Assets	....	....	....	$64,020,000[bd]
Companies sent questionnaires[e]				
Number	254	38	17	309
Assets	$4,579,907[b]	$9,461,598[b]	$49,1[illegible],91[illegible]	$63,230,480[b]
Companies responding				
Number	75	19	7	101
Assets	$1,600,560[b]	$4,737,347[b]	$33,579,702[b]	$39,923,615[b]
Companies making loans to churches				
Number	20	7	3	30
Assets	$ 514,867[b]	$1,954,342[b]	$ 7,230,160[b]	$ 9,699,369[b]

[a]Data are for holdings as of December 30, 1950.

[b]All asset figures are in thousands of dollars.

[c]An estimated figure based on data contained in Life Insurance Fact Book, 1952 (New York: Institute of Life Insurance, 1952), p. 41.

[d]*Ibid.*, p. 52.

[e]Polk's Bankers' Encyclopedia, The Bank Directory (114th ed.; Nashville: R.L. Polk & Co., 1951), pp. 1-L to 64-L. All companies listed in this directory were included in the survey, except 10 Canadian firms and 13 U.S. firms which did not have any mortgage loans.

TABLE 2

DISTRIBUTION OF THE NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY AMOUNT OF LOAN AND SIZE OF COMPANY ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Amount of Loans	Company Assets ($ millions)			All Companies
	Less Than 100.0 (Group 1)	100.0 to 600.0 (Group 2)	600.0 and Over (Group 3)	
		Number of Loans		
$ 5,000 or less	14	2	..	16
5,001 - 10,000	12	1	1	14
10,001 - 20,000	17	4	1	22
20,001 - 40,000	20	13	7	40
40,001 - 60,000	12	12	5	29
60,001 - 80,000	7	2	7	16
80,001 -100,000	4	2	4	10
100,001 -200,000	2	3	5	10
200,001 and over	3	3	2	8
Not indicated ..	..	112	..	112
Totals	91	154	32	277
		Amount of Loans		
$ 5,000 or less	$ 64,500	$ 9,000	$.........	$ 73,500
5,001 - 10,000	94,500	9,500	10,000	114,000
10,001 - 20,000	280,500	62,500	15,000	358,000
20,001 - 40,000	626,400	382,500	230,000	1,238,900
40,001 - 60,000	603,500	608,000	275,000	1,486,500
60,001 - 80,000	505,000	140,000	510,000	1,155,000
80,001 -100,000	385,000	200,000	390,000	975,000
100,001 -200,000	241,000	440,000	670,000	1,351,000
200,001 and over	920,000	975,000	1,750,000	3,645,000
Not indicated ..	... ...	5,112,623	... ...	5,112,623
Totals	3,720,400	7,939,123	3,850,000	15,509,523

TABLE 3

AVERAGE SIZE AND RANGE AMOUNTS OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND SIZE OF COMPANY ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Use of Loans	Company Assets ($ millions)			
	Less Than 100.0 (Group 1)	100.0 to 600.0 (Group 2)	600.0 and Over (Group 3)	All Companies
	Range Amount of Loans			
Expansion	$ 5,000 to 350,000	$ 4,000 to 456,500	$ 10,000 to 1,500,000	$ 4,000 to 1,500,000
Repairs	5,000 to 40,000	5,000 to 60,000	...	5,000 to 60,000
	Average Size of Loans			
Expansion	$ 39,717	$ 51,144	$ 120,312	$ 57,891
Repairs	18,660	32,500	...	20,966

TABLE 4

[illegible] AND SIZE [illegible], JANUARY 1, 194[illegible]-JANUARY 1, 1952*

Interest Rates	Company Assets (millions) Less Than 100.0 (Group 1) Loans Made No.	Amt.	100.0 to [illegible]00.0 (Group 2) Loans Made No.	Amt.	[illegible]00.0 and over (Group 3) Loans Made No.	Amt.	All Companies Loans Made No.	Amt.
Expansion Loans								
Less than 3.0	....	....	....	....	....	....	....	....
3.0 - 3.9	[illegible].5	11.4	1.4	3.7	9.4	45.9	4.1	1[illegible].0
4.0 - 4.9	39.0	[illegible]7.[illegible]	31.5	[illegible]4.0	[illegible]4.4	[illegible]3.[illegible]	71.	71.1
5.0 - 5.9	50.[illegible]	31.1	17.1	12.3	[illegible].2	2.[illegible]	23.[illegible]	12.7
6.0 and over..	1.7	0.5	....	....	....	....	0.5	0.2
Totals ..	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Repair Loans								
Less than 3.0	....	....	....	....	....	....	....	....
3.0 - 3.9	....	....	....	....	....	....	....	....
4.0 - 4.9	10.0	21.4	[illegible]0.0	[illegible]2.3	....	....	1[illegible].7	[illegible].7
5.0 - 5.9	[illegible]	.7	[illegible]0.[illegible]	7.7	....	....	[illegible].3	51.[illegible]
6.0 and over..	30.0	11.[illegible]	....	....	....	....	[illegible].0	[illegible].8
Totals ..	100.0	100.0	100.0	100.0	....	....	100.0	100.0

*There was only one operating expense loan with the following characteristics: interest rate [illegible] per cent, maturity 12 years, secured by personal endorsements and mortgage, loan-to-value ratio [illegible]0 per cent, and monthly repayments required on loan. This loan will not be included in a number of the following tables.

TABLE 5

AVERAGE SIZE OF LOANS, AVERAGE MATURITIES, AND AVERAGE LOAN-TO-VALUE RATIOS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND INTEREST RATES, JANUARY 1, 1946-JANUARY 1, 1952

Interest Rates	No. of Loans	Avg. Interest Rates	Avg. Size of Loans	Avg. Maturities	Avg. Loan-to-Value Ratios
			Expansion Loans		
Less than 3.0%	..	....	$.......	.....	.....%
3.0 - 3.9	10	3.53	225,700	15.50	40.20
4.0 - 4.9	174	4.22	57,534	12.60	31.59
5.0 - 5.9	58	5.08	30,936	11.60	25.74
6.0 and over..	1	6.00	5,000	10.00	25.00
Totals ..	243	....	57,891	.....	.....
			Repair Loans		
Less than 3.0%	..	....%	$.......	.....	.....%
3.0 - 3.9	..	....	....	.....	.....
4.0 - 4.9	2	4.23	50,000	15.00	29.00
5.0 - 5.9	7	5.00	19,370	12.21	41.00
6.0 and over..	3	6.00	7,333	9.33	44.67
Totals ..	12	....	20,966	.....	.....

TABLE 6

PERCENTAGE DISTRIBUTION OF THE NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY CONTRACT LENGTHS, USE OF LOANS AND SIZE OF COMPANY ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Contract Length	Company Assets ($ millions)						All Companies	
	Less Than 100.0 (Group 1)		100.0 to 600.0 (Group 2)		600.0 and Over (Group 3)			
	Loans Made		Loans Made		Loans Made		Loans Made	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Expansion Loans								
Less than 2 yrs.	....%	....%	....%	....%	....	....%	....	....
2 - 10	57.6	63.0	11.2	7.8	37.5	20.9	26.0	20.6
11 - 15	35.6	27.3	86.8	85.5	46.8	68.4	69.1	71.1
16 and over	....	....	3.0	6.7	15.7	10.7	3.3	6.6
Serial Maturities	6.8	9.7	....	....	....	....	1.6	1.7
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Repair Loans								
Less than 2 yrs.	....	....	....	....	....	....	....	....
2 - 10	70.0	63.5	50.0	7.7	....	....	66.7	49.1
11 - 15	30.0	36.5	50.0	92.3	....	....	33.3	50.9
16 and over	....	....	....	....	....	....	....	....
Totals	100.0	100.0	100.0	100.0	....	....	100.0	100.0

TABLE 7

AVERAGE SIZE OF LOANS AND AVERAGE INTEREST RATES FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND CONTRACT LENGTHS, JANUARY 1, 1946-JANUARY 1, 1952

Contract Length	No. of Loans	Average Maturities	Average Size of Loans	Average Interest Rates
Expansion Loans				
Less than 2 yrs.	...	.....	$.......	....%
2 - 10	63	9.70	45,968	4.72
11 - 15	168	13.12	59,556	4.53
16 and over	8	19.25	116,875	4.18
Serial Maturities	4	(a)	57,500	3.50
Totals	243	.....	57,891	....
Repair Loans				
Less than 2 yrs.	..	.....	$.......	....
2 - 10	8	9.44	15,450	5.37
11 - 15	4	14.00	32,000	4.62
16 and over	..	.....	....	....
Totals	12	.....	20,966	....

[a] Serial maturities.

TABLE 8

PERCENTAGE DISTRIBUTION OF THE NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY FORM OF SECURITY, USE OF LOANS AND SIZE OF COMPANY ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Form of Security	Company Assets ($ millions)						All Companies	
	Less Than 100.0 (Group 1)		100.0 to 600.0 (Group 2)		600.0 and Over (Group 3)			
	Loans Made		Loans Made		Loans Made		Loans Made	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Expansion Loans								
Unsecured note	8.5%	11.8%	....%	....%	....%	....%	....%	....%
Secured								
Mortgage	84.7	80.7	58.6	64.2	93.7	59.2	69.5	65.6
Endorsement and mtg. ..	6.3	7.5	41.4	35.8	6.3	40.8	30.5	34.4
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Repair Loans								
Unsecured note	....%	....%	....%	....%	....	....	....	....
Secured								
Mortgage ..	60.0	68.6	50.0	7.7	....	....	58.3	52.8
Endorsement and mtg. ..	40.0	31.4	50.0	92.3	....	....	41.7	47.2
Totals	100.0	100.0	100.0	100.0	....	....	100.0	100.0

TABLE 9

AVERAGE MATURITIES AND AVERAGE INTEREST RATES FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY FORM OF SECURITY AND USE OF LOANS, JANUARY 1, 1946-JANUARY 1, 1952

Form of Security	No. of Loans	Average Maturities	Average Interest Rates
Expansion Loans			
Unsecured note	5	(a) yrs.	3.50%
Secured			
Mortgage	169	12.36	4.59
Endorsement and mtg.	69	12.45	4.45
Totals	243	.....	....
Repair Loans			
Unsecured note	...	.....yrs.	....%
Secured			
Mortgage	7	11.21	5.00
Endorsement and mtg.	5	10.60	5.30
Totals	12	.....	....

[a] 4 out of these 5 loans were for serial maturities, while the 1 other loan was for 10 years.

TABLE 10

PERCENTAGE DISTRIBUTION OF THE NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY LOAN-TO-VALUE RATIOS, USE OF LOANS AND SIZE OF COMPANY ASSETS, JANUARY 1, 1945-JANUARY 1, 1952

Loan-to-Value Ratios	Company Assets ($ millions): Less Than 100.0 (Group 1) Loans Made No.	Less Than 100.0 (Group 1) Loans Made Amt.	100.0 to 600.0 (Group 2) Loans Made No.	100.0 to 600.0 (Group 2) Loans Made Amt.	600.0 and Over (Group 3) Loans Made No.	600.0 and Over (Group 3) Loans Made Amt.	All Companies Loans Made No.	All Companies Loans Made Amt.
Expansion Loans								
Less than 20%	20.3%	11.1%	6.5%	7.4%	18.7%	8.8%	11.9%	8.5%
20 - 39	42.3	41.5	14.4	15.3	56.2	77.7	20.7	36.8
40 - 59	15.2	27.0	3.3	7.5	21.8	12.8	9.0	12.4
60 and over ..	3.4	2.6	1.5	4.4	3.3	0.7	1.6	3.1
Not indicated	18.8	17.8	74.3	65.4	....	....	50.8	39.2
Totals ...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Repair Loans								
Less than 20	10.0%	21.4%	50.0%	8.0	....	....	16.7	17.8%
20 - 39	20.0	42.7	50.0	92.0	....	....	25.0	55.6
40 - 59	60.0	30.2	....	....	....	....	50.0	22.4
60 and over ..	....	....	....	....	....	....	....	....
Not indicated	10.0	5.6	....	....	....	....	8.3	4.2
Totals ...	100.0	100.0	100.0	100.0	....	....	100.0	100.0

TABLE 11

PERCENTAGE DISTRIBUTION OF THE NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY SCHEDULE OF REPAYMENTS, USE OF LOANS AND SIZE OF COMPANY ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Schedule of Repayments	Company Assets ($ millions)							
	Less Than 100.0 (Group 1)		100.0 to 600.0 (Group 2)		600.0 and Over (Group 3)		All Companies	
	Loans Made		Loans Made		Loans Made		Loans Made	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Expansion Loans								
Weekly	1.7%	0.8%	....%	....%	....%	....%	0.4%	0.4%
Monthly	62.7	54.0	98.0	96.6	53.1	35.8	83.5	72.8
Bi-monthly	....	....	....	....	....	....	....	....
Quarterly	17.0	12.8	0.7	0.6	40.7	21.9	9.8	8.4
Semi-annually .	15.2	16.4	1.3	2.8	6.2	42.3	5.3	15.8
Annually	3.4	16.0	....	....	....	....	1.0	2.6
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Repair Loans								
Monthly	90.0%	94.6%	100.0%	100.0%	....	....	91.6%	96.0%
Bi-monthly	10.0	5.4	....	....	....	....	8.4	4.0
Quarterly	....	....	....	....	....	....	....	....
Semi-annually .	....	....	....	....	....	....	....	....
Annually	....	....	....	....	....	....	....	....
Totals	100.0	100.0	100.0	100.0	....	....	100.0	100.0

TABLE 12

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 LIFE INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND DENOMINATIONS, JANUARY 1, 1946-JANUARY 1, 1952

Denomination	No. of Loans	Per Cent of Total	Amt. of Loans	Per Cent of Total
		Expansion Loans		
Baptist	28	11.6%	$1,645,500	11.7%
Methodist	19	7.8	931,400	6.7
Jewish	12	4.9	1,456,000	10.4
Presbyterian	11	4.4	407,900	2.4
Catholic	10	4.2	1,993,000	14.2
Episcopal	7	2.9	330,000	2.4
Lutheran	7	2.9	253,500	1.9
Church of Christ .	5	2.1	243,500	1.8
Nazarene	4	1.6	36,500	0.3
Other Protestant .	16	6.6	987,500	7.1
Not indicated	124	51.0	5,782,623	41.1
Totals	243	100.0	14,067,423	100.0
		Repair Loans		
Baptist	6	50.0%	$ 111,600	44.4%
Methodist	2	16.7	50,000	19.8
Nazarene	2	16.7	25,000	9.9
Presbyterian	1	8.3	5,000	2.0
Jewish	1	8.3	60,000	23.9
Totals	12	100.0	251,600	100.0
		Operating Expense Loans		
Lutheran	1	100.0%	$ 6,000	100.0%
		Use of Loans Not Indicated		
Catholic	9	42.9%	$1,095,000	92.4%
Presbyterian	1	4.8	40,000	3.4
Not indicated	11	52.3	49,500	4.2
Totals	21	100.0	1,184,500	100.0

TABLE 13

CONTRACT TERMS AND PAYMENT RECORD FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY USE OF LOAN AND DENOMINATION, JANUARY 1, 1946–JANUARY 1, 1952

Denomination	Contract Terms				Payment Record		
	Average Size of Loans	Average Interest Rates	Avg. Maturities	Avg. Loan-to-Value Ratios	Prompt	Slow	Not Indicated
Expansion Loans							
Catholic	$199,300	3.63	13.16	22.00	10	0	0
Jewish	121,333	4.40	13.50	26.91	12	0	0
Baptist	58,768	4.32	11.28	31.70	28	0	0
Methodist	49,021	4.77	12.02	22.84	19	0	0
Church of Christ	48,700	4.80	12.00	25.75	5	0	0
Episcopal	47,143	4.61	14.28	24.06	6	0	1
Presbyterian ...	37,081	4.64	14.10	28.57	11	0	0
Lutheran	36,214	4.57	15.15	37.50	7	0	0
Nazarene	9,125	5.00	10.00	32.50	3	1	0
Other Protestant	61,718	4.61	12.05	32.09	16	0	0
Not indicated ..	46,034	4.53	12.25	26.40	124	0	0
Repair Loans							
Jewish	$ 60,000	4.50	15.00	32.00	1	0	0
Methodist	25,000	4.50	11.25	33.00	2	0	0
Baptist	14,600	5.33	10.16	36.60	6	0	0
Nazarene	12,500	5.50	11.50	47.00	2	0	0
Presbyterian ...	5,000	5.00	10.00	13.00	1	0	0
Operating Expense Loans							
Lutheran	$ 6,000	5.00	12.00	50.00	1	0	0
Use of Loans Not Indicated							
Catholic	$121,066	....	12.77	.....	..	..	..
Presbyterian ...	40,000	5.00	12.00	42.00	1	0	0
Not indicated ..	4,500	5.50	.....	.....	10	1	0

TABLE 14

DISTRIBUTION OF THE NUMBER OF EXPANSION LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY FORM OF SECURITY AND DENOMINATION, JANUARY 1, 1946-JANUARY 1, 1952

Denomination	Number of Loans			
	Total	Unsecured	Secured	
			Mortgage	Endorsement and Mortgage
Baptist	28	0	27	1
Methodist	19	0	15	4
Jewish	12	0	11	1
Presbyterian ...	11	0	10	1
Catholic	10	5	4	1
Episcopal	7	0	7	0
Lutheran	7	0	7	0
Church of Christ	5	0	3	2
Nazarene	4	0	4	0
Other Protestant	16	0	13	3
Not indicated ..	124*	0	68*	56*
Totals	243	5	169	69

*112 of these loans were made by one firm which stated that the security on all 112 loans is a first mortgage on the real estate and in probably 50 per cent of the cases they have also requested limited personal endorsements.

TABLE 15

DISTRIBUTION OF THE NUMBER OF REPAIR AND OPERATING EXPENSE LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY FORM OF SECURITY AND DENOMINATION, JANUARY 1, 1946-JANUARY 1, 1952

Denomination	Number of Loans			
	Total	Unsecured	Secured	
			Mortgage	Endorsement and Mortgage
Repair Loans				
Baptist	6	0	3	3
Methodist	2	0	2	0
Nazarene	2	0	1	1
Presbyterian ...	1	0	1	0
Jewish	1	0	0	1
Totals	12	0	7	5
Operating Expense Loans				
Lutheran	1	0	0	1
Use of Loans Not Indicated				
Catholic	9	(a)	(a)	(a)
Presbyterian ...	1	1	0	0
Not indicated ..	11	...	...	...
Totals	21	1	0	0

[a]These 9 loans were all secured by bonds, and most of them were signed by the Archbishops or Bishops of the respective dioceses in which the churches were located.

TABLE 16

SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY COMPANY LOCATION AND NUMBER OF LOANS MADE PER COMPANY, JANUARY 1, 1946-JANUARY 1, 1952

No. of Loans Made per Company	Geographical Location			All Companies
	North	South	West	
1	1	1	2	4
2	1	..	2	3
4	1	1	1	3
5	2	1	1	4
8	1	..	..	1
9	1	..	..	1
10	1	1	..	2
11	..	1	..	1
12	..	1	..	1
13	..	..	1	1
15	..	1	..	1
16	..	1	..	1
22	..	1	..	1
23	1	..	..	1
25	1	..	..	1
32	..	1	..	1
112	..	..	1	1
Totals	10	10	8	28

TABLE 17

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY AMOUNT OF LOANS AND COMPANY LOCATION, JANUARY 1, 1946-JANUARY 1, 1952

Amount of Loans	Geographical Location					
	North		South		West	
	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans
$ 5,000 or less	2	$ 9,000	12	$ 54,500	3	$ 10,000
5,001 - 10,000	3	24,900	8	63,600	3	25,500
10,001 - 20,000	10	162,500	9	145,500	3	50,000
20,001 - 40,000	13	425,400	23	688,500	4	160,000
40,001 - 60,000	11	586,000	14	711,500	3	154,000
60,001 - 80,000	9	660,000	5	360,000	2	135,000
80,001 - 100,000	8	775,000	2	200,000	..	... ...
100,001 - 200,000	7	941,000	3	410,000	..	... ...
200,001 and over	6	2,920,000	1	375,000	1	350,000
Not indicated	..	....	..	....	112	5,112,623
Totals	69	$6,503,800	77	3,008,600	131	$5,997,123

TABLE 18

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY CONTRACT TERMS AND COMPANY LOCATION, JANUARY 1, 1946-JANUARY 1, 1952

	Geographical Location					
	North		South		West	
	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans
Maturities						
Less than 2 yrs.	..	$.........	..	$.........	..	$.........
2 - 10	28	1,863,900	37	1,271,600	10	549,000
11 - 15	32	3,999,900	26	1,162,500	121	5,448,123
16 and over	5	410,000	3	525,000	..	....
Other	4	230,000	..	....	..	....
Not indicated ..	..	....	11	49,500	..	....
Totals	69	6,503,800	77	3,008,600	131	5,997,123
Interest Rates						
Less than 3.0	..	$.........	..	$.........	..	$.........
3.0 - 3.9	9	2,132,000	1	125,000	..	....
4.0 - 4.9	36	2,943,000	17	1,339,500	123	5,828,623
5.0 - 5.9	15	333,800	56	1,522,100	7	163,500
6.0 and over .	..	....	3	22,000	1	5,000
Not indicated	9	1,095,000	..	....	..	....
Totals	69	6,503,800	77	3,008,600	131	5,997,123

TABLE 19

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY COMPANY LOCATION AND DENOMINATION, JANUARY 1, 1946-JANUARY 1, 1952

Denomination[a]	Geographical Location					
	North		South		West	
	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans
Catholic	19	$3,088,000	..	$........	..	$.........
Baptist	12	998,000	22	759,100	..	....
Methodist	8	493,400	10	408,000	2	45,000
Presbyterian ..	6	182,900	6	240,000	1	30,000
Jewish	5	711,000	7	755,000	2	85,000
Nazarene	4	45,500	1	7,000	1	9,000
Episcopal	3	115,000	3	170,000	1	45,000
Lutheran	3	175,000	3	68,000	2	16,500
Church of Christ	..	....	5	243,500	..	......
Other Protestant	9	695,000	4	161,500	3	131,000
Not indicated .	..	....	16	196,500	119	5,635,623
Totals	69	6,503,800	77	3,008,600	131	5,997,123

[a]Denominations have been listed in this table on the basis of the number of loans made by companies in the Northern region. The denomination with the largest total number of loans was listed first, and in the others in their respective order.

Although, several denominations received less than 5 loans in one or more different regions, no denomination has been listed by name if it did not receive a minimum of 5 loans in all regions.

TABLE 20

AVERAGE SIZE OF LOANS AND AVERAGE INTEREST RATES FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY COMPANY LOCATION AND DENOMINATION, JANUARY 1, 1946–JANUARY 1, 1952

Denomination	Geographical Location					
	North		South		West	
	Average Size of Loans	Average Interest Rates	Average Size of Loans	Average Interest Rates	Average Size of Loans	Average Interest Rates
Catholic	$162,526	3.63	$........	....	$......	....
Jewish	142,200	4.30	107,857	4.61	(42,500)	(4.25)
Baptist	83,166	4.54	34,504	4.93	......	....
Methodist	61,675	4.60	40,800	4.90	(22,500)	(4.50)
Lutheran	(58,333)	(3.83)[b]	(22,667)	(5.00)	(8,250)	(5.25)
Episcopal	(38,333)	(4.25)	(56,667)	4.83	(a)	(a)
Presbyterian ..	30,483	4.75	40,000	4.75	(a)	(a)
Nazarene	(11,375)	(5.00)	(a)	(a)	(a)	(a)
Church of Christ	......	....	48,700	4.80	......	....
Other Protestant	77,222	4.59	(40,375)	(4.62)	(43,667)	(4.67)
Not indicated .	......	....	12,256	5.34	47,358	4.51

[a]Only one loan was received by these denominations in each of the designated regions.

[b]The parenthesis ( ) used in conjunction with these figures indicate that less than five loans were received by these denominations in each of the designated regions.

TABLE 21

DISTRIBUTION OF CHURCH-LOAN COMPANIES WHICH DECLINED LOANS TO CHURCHES FOR A SAMPLE OF CHURCH LOANS MADE BY 30 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY SIZE OF COMPANY ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Item	Company Assets ($ millions)			All Companies
	Less Than 100.0 (Group 1)	100.0 to 600.0 (Group 2)	600.0 and Over (Group 3)	
No. of church-loan companies	20	7	3	30
No. of church-loan companies which declined no loans to churches	1	0	0	1
No. of church-loan companies not indicating whether or not loans declined	6	2	1	9
No. of church-loan companies which declined loans to churches	13	5	2	20*
Totals	20	7	3	30
No. of church-loan companies which declined loans to churches and which reported the no. of loans declined	8	2	0	10*
No. of loans declined	75	337	0	412

*These 10 companies were included in the 20 companies which declined loans to churches; however, 10 of the 20 companies did not report the specific number of applications denied.

TABLE 22

DISTRIBUTION OF 70 NO CHURCH-LOAN INSURANCE COMPANIES IN THE UNITED STATES, JANUARY 1, 1946-JANUARY 1, 1952, CLASSIFIED BY SIZE OF COMPANY ASSETS AND PERCENTAGE INCREASE IN POPULATION, 1940-1950

Item	Company Assets ($ millions)						All Companies	
	Less Than 100.0 (Group 1)		100.0 to 600.0 (Group 2)		600.0 and Over (Group 3)			
	Population Increase, 1940-1950[a]		Population Increase, 1940-1950[a]		Population Increase, 1940-1950[a]		Population Increase, 1940-1950[a]	
	Under 10%	Over 10%	Under 10%	Over 10%	Under 10%	Over 10%	Under 10%	Over 10%
No. of companies reporting no church loans ..	17	38	6	5	4	..	27	43
No. of companies reporting no loans declined	12	13	1	0	0	..	13	13
No. of companies not indicating whether or not loans declined	5	23	2	0	2	..	9	23
No. of companies reporting loans declined	0	2	3	5	2	..	5	7
Totals	17	38	6	5	4	..	27	43
No. of loans declined	0	5	26	(b)	(b)	..	26[b]	5[b]

[a]U.S. Bureau of the Census, Census of Population: 1950, Vol. I, Number of Inhabitants (Washington: Government Printing Office, 1952), pp. 2-7 to 50-100. Population changes refer to the cities in which the companies are located.

[b]Some of these companies reported church loans declined, but gave no indication of the specific number.

TABLE 23

DISTRIBUTION OF FACTORS INFLUENCING COMPANY DECISIONS TO MAKE CHURCH LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 28 INSURANCE COMPANIES IN THE UNITED STATES, CLASSIFIED BY COMPANY ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Factor	Company Assets ($ millions)						All Companies	
	Less Than 100.0 (Group 1)		100.0 to 600.0 (Group 2)		600.0 and Over (Group 3)			
	No. of times factor was used		No. of times factor was used		No. of times factor was used		No. of times factor was used	
Character & capacity of the church	47	34%	36	39%	26	45%	109	38%
Personal endorsement ..	6	4	5	7	1	1	12	4
Ratio: operating expenses to income of the church ...	28	21	14	15	0	0	42	15
Value of church property	42	31	14	15	4	7	60	21
Others	13	10	23	24	27	47	63	22
Totals	136	100	92	100	58	100	286	100
No. of loans indicating factors used	71		36		32		139	
No. of loans not indicating factors used	20		118		0		138	

APPENDIX C

TABLE 1

RESPONSE OF 223 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES TO THE CHURCH LOAN SURVEY, CLASSIFIED BY SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952[a]

Item	Association Assets ($ millions)			All Associations
	Less Than 5.0 (Group 1)	5.0 to 20.0 (Group 2)	20.0 and Over (Group 3)	
Association in U.S.				
Number	...	...	...	5,940[c]
Assets	...	...	...	$18,029,210[bc]
Associations sampled[d]				
Number	422	161	17	600
Assets	$731,935[b]	$1,176,454[b]	$630,162[b]	2,538,551[b]
Associations Responding				
Number	154	59	10	223
Assets	258,099[b]	500,867[b]	353,122[b]	1,112,088[b]
Associations making loans to churches				
Number	35	22	6	63
Assets	67,797[b]	169,833[b]	253,325[b]	490,955[b]

[a]Data are for holdings as of June 30, 1951. Size classifications are based on information contained in the following article as well as other similar sources: Don M. Dailey, "Measuring Productivity," Savings and Loan News, LXXIII (February, 1953), 19.

[b]All asset figures are in thousands of dollars.

[c]"1951 Assets Growth Sets all-time Record", Savings and Loan News, LXXII (August, 1952), 31.
Letter from John Urbanek, Assistant Vice President, United States Savings and Loan League, September 13, 1952.

[d]Savings and Loan Annals, 1951 (Chicago: United States Savings and Loan League, 1952), pp. D 19 - D 158.

TABLE 2

DISTRIBUTION OF THE NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY AMOUNT OF LOAN AND SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Amount of Loans	Association Assets ($ millions)			All Associations
	Less Than 5.0 (Group 1)	5.0 to 20.0 (Group 2)	20.0 and Over (Group 3)	
		Number of Loans		
$ 5,000 or less	42	31	6	79
5,001 - 10,000	12	37	10	59
10,001 - 20,000	6	23	7	36
20,001 - 40,000	3	14	5	22
40,001 - 60,000	..	5	4	9
60,001 - 80,000	..	3	6	9
80,001 - 100,000	..	2	2	4
100,001 and over	..	2	2	4
Totals	63	117	42	222
		Amount of Loans		
$ 5,000 or less	$130,352	$105,642	$ 25,700	$ 261,694
5,001 - 10,000	94,650	286,475	75,000	456,125
10,001 - 20,000	90,100	356,400	105,500	552,000
20,001 - 40,000	84,900	409,885	145,800	640,585
40,001 - 60,000	...	247,000	207,500	454,500
60,001 - 80,000	...	220,000	440,000	660,000
80,001 - 100,000	...	200,000	190,000	390,000
100,001 and over	...	305,000	250,000	555,000
Totals	400,002	2,130,402	1,439,500	3,969,904

TABLE 3

AVERAGE SIZE AND RANGE AMOUNTS OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOANS ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Use of Loans	Association Assets ($ millions)			
	Less Than 5.0 (Group 1)	5.0 to 20.0 (Group 2)	20.0 and Over (Group 3)	All Associations
	Average Size of Loans			
Expansion	$ 7,318	$ 20,283	$ 39,536	$ 19,742
Repairs	3,175	5,112	9,833	4,820
Other	1,500	...	17,875	16,055
	Range Amount of Loans			
Expansion	$ 1,000 to 34,900	$ 600 to 180,000	$ 4,000 to 125,000	$ 600 to 180,000
Repairs	656 to 10,000	2,500 to 8,000	2,500 to 22,000	656 to 22,000
Other	1,500	...	4,700 to 42,500	4,700 to 42,500

TABLE 4

RATIOS OF EXPANSION TO REPAIR LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES CLASSIFIED BY POPULATION CHANGES, 1940-1950, AND SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Association Assets ($ millions)	No. of Associations	Ratios: Expension to Repair Loans	
		No. of Loans	Amount of Loans
Less than 5.0	31[c]	4.1	9.4
Population change under 10%[a]	10	5.3	29.5
Population change over 10%[a]	20	3.4	5.6
5.0 to 20.0	20	6.3	25.0
Population change under 10%[a]	9	16.0	98.2
Population change over 10%[a]	11	5.6	21.8
20.0 and over	5	9.3	37.5
Population change under 10%[a]	3	7.0	28.6
Population change over 10%[a]	2	(b)	(b)

[a]U.S. Bureau of the Census, Census of Population: 1950, Advance Reports, Series PC-9, 8 (Washington: Government Printing Office, 1952), pp. 4-20.

U.S. Bureau of the Census, Census of Population: 1950, Vol. I, Number of Inhabitants (Washington: Government Printing Office, 1952), pp. 2-7 to 50-10.

[b]No repair loans were reported for associations in this classification.

[c]Population figures were not listed for the town in which one of these associations was located, therefore, the associations in this group will not total 31.

TABLE 5

PERCENTAGE DISTRIBUTION OF THE NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOANS ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY INTEREST RATES, USE OF LOANS AND SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Interest Rates (per cent)	Association Assets ($ millions)							
	Less Than 5.0 (Group 1)		5.0 to 20.0 (Group 2)		20.0 and Over (Group 3)		All Associations	
	Loans Made		Loans Made		Loans Made		Loans Made	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Expansion Loans								
Under 3.0...	....%	....%	....%	....%	....%	....%	....%	....%
3.0 - 3.9...	2.1	6.9	....	....	....	....	0.5	0.7
4.0 - 4.9...	8.2	16.1	32.7	57.3	53.6	70.5	29.3	57.2
5.0 - 5.9...	28.6	24.9	46.5	34.5	46.4	29.5	41.6	32.0
6.0 - 6.9...	42.8	39.4	16.8	6.9	....	....	21.3	8.1
7.0 and over	4.1	2.9	3.0	0.9	....	....	2.8	0.8
Not indicated	14.2	9.8	1.0	0.4	....	....	4.5	1.2
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Repair Loans								
Under 4.0...	....%	....%	....%	....%	....%	....%	....%	....%
4.0 - 4.9...	....	....	68.8	76.7	....	....	35.6	42.3
5.0 - 5.9...	50.0	35.6	25.0	20.7	100.0	100.0	42.0	40.0
6.0 - 6.9...	50.0	64.4	....	....	....	....	19.3	16.4
7.0 and over	....	....	6.2	2.6	....	....	3.1	1.3
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 6

DISTRIBUTION OF THE NUMBER OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY INTEREST RATES AND CONTRACT TERMS, JANUARY 1, 1946-JANUARY 1, 1952

	Interest Rates (per cent)							Totals
	Under 3.0	3.0 to 3.9	4.0 to 4.9	5.0 to 5.9	6.0 to 6.9	7.0 and Over	Not Indi- cated	
Amount of Loans								
$ 5,000 or less	...	...	6	35	29	3	6	79
5,001 - 10,000	...	...	22	23	8	3	3	59
10,001 - 20,000	...	...	14	16	5	...	1	36
20,001 - 40,000	...	1	11	8	2	...	...	22
40,001 - 60,000	...	...	7	2	...	...	...	9
60,001 - 80,000	...	...	3	4	...	...	2	9
80,001 - 100,000	...	...	4	...	...	...	...	4
100,001 and over	...	...	4	...	...	...	...	4
Maturities (years)								
Under 2	...	...	...	1	...	...	...	1
2 - 10	...	1	48	56	39	6	2	152
11 - 15	...	...	20	23	5	...	...	48
16 and over .	...	...	3	7	...	...	...	10
Not indicated	...	...	...	1	...	...	10	11
Loan-to-Value Ratios (per cent)								
Under 20	...	...	4	10	4	...	...	18
20 - 39	...	1	6	18	14	1	3	43
40 - 59	...	...	14	29	15	5	2	65
60 and over .	...	...	6	16	9	...	...	31
Not indicated	...	...	41	15	2	...	7	65
Totals	...	1	71	88	44	6	12	222

TABLE 7

PERCENTAGE DISTRIBUTION OF THE NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY MATURITIES, USE OF LOANS AND SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Maturities (years)	Association Assets ($ millions): Less Than 5.0 (Group 1)		5.0 to 20.0 (Group 2)		20.0 and Over (Group 3)		All Associations	
	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans
Expansion Loans								
Under 2......	2.0%	2.6%	...%	...%	...%	...%	0.6%	0.4%
2 - 10......	71.4	69.8	80.2	80.3	17.8	10.0	68.0	57.1
11 - 15......	12.2	18.0	12.8	16.0	67.8	80.8	21.3	36.6
16 and over..	4.2	2.4	5.0	2.8	14.4	9.2	6.2	4.7
Not indicated	10.2	7.2	2.0	0.9	....	....	3.9	1.2
Totals..	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Repair Loans								
Under 2....	....%	....%	....%	....%	....%	....%	....%	....%
2 - 10....	75.0	68.4	100.0	100.0	66.7	25.4	87.0	77.1
11 - 15....	25.0	31.6	....	....	33.3	74.6	13.0	22.9
16 and over	....	....	....	....	....	....	....	....
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 8

DISTRIBUTION OF THE NUMBER OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY MATURITIES AND CONTRACT TERMS, JANUARY 1, 1946-JANUARY 1, 1952

	Maturities (years)					Totals
	Under 2	2 to 10	11 to 15	16 and Over	Not Indicated	
Amount of Loans						
$ 5,000 or less ...	...	64	7	3	5	79
5,001 - 10,000..	1	41	12	2	3	59
10,001 - 20,000..	...	20	11	4	1	36
20,001 - 40,000..	...	15	7	...	...	22
40,001 - 60,000..	...	6	3	...	...	9
60,001 - 80,000..	...	3	3	1	2	9
80,001 - 100,000..	...	1	3	...	...	4
100,001 and over...	...	2	2	...	...	4
Loan-to-Value Ratios (per cent)						
Under 20.....	...	12	4	2	...	18
20-39........	...	30	10	2	1	43
40-59........	1	40	20	1	3	65
60 and over..	...	21	9	1	...	31
Not indicated	...	49	5	4	7	65
Totals..	1	152	48	10	11	222

TABLE 9

PERCENTAGE DISTRIBUTION OF THE NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY LOAN-TO-VALUE RATIOS, USE OF LOANS AND SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Loan-to-Value Ratios	Association Assets ($ millions)						All Associations	
	Less Than 5.0 (Group 1)		5.0 to 20.0 (Group 2)		20.0 and Over (Group 3)			
	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans
				Expansion Loans				
Under 20......	10.2%	12.4%	3.9%	2.4%	10.7%	18.9%	6.7%	8.6%
20 - 39.......	38.7	41.5	16.8	19.0	10.7	4.3	21.9	16.7
40 - 59.......	30.6	25.5	24.7	16.4	50.0	70.2	30.3	34.3
60 & over.....	8.1	12.6	18.8	11.5	21.4	5.0	16.3	9.7
Not indicated.	12.4	8.0	35.8	50.7	7.2	1.6	24.8	30.7
Totals...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
				Repair Loans				
Under 20......	25.0%	46.0%	6.3%	4.2%	33.3%	8.4%	16.1%	15.7%
20 - 39.......	8.3	10.5	6.3	6.1	...	...	6.4	6.0
40 - 59.......	16.7	17.1	18.7	12.8	66.7	91.6	22.6	29.6
60 & over.....	...	...	...	...	...	...	...	...
Not indicated.	50.0	26.4	68.7	76.9	...	...	54.9	48.7
Totals...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 10

PERCENTAGE DISTRIBUTION OF THE NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY FORM OF SECURITY, USE OF LOANS AND SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Form of Security	Association Assets ($ millions)						All Associations	
	Less Than 5.0 (Group 1)		5.0 to 20.0 (Group 2)		20.0 and Over (Group 3)			
	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans
Expansion Loans								
Real estate mtg.	87.7%	92.6%	92.0%	90.9%	100.0%	100.0%	92.1%	93.9%
Endorsement & mtg.	...	...	7.0	7.1	...	...	3.9	4.1
Other	2.1	0.4	1.0	2.0	...	...	1.2	1.1
Not Indicated ..	10.2	7.0	...	...	...	...	2.8	0.9
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.1
Repair Loans								
Real estate mtg.	91.6%	96.6%	31.2%	23.3%	100.0%	100.0%	61.3%	57.0%
Endorsement & mtg.	...	...	...	...	...	...	...	...
Other	8.4	3.4	68.8	76.7	...	...	38.7	43.0
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 11

PERCENTAGE DISTRIBUTION OF THE NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY SCHEDULE OF REPAYMENTS, USE OF LOANS AND SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Schedule of Repayments	Association Assets ($ millions) Less Than 5.0 (Group 1)		5.0 to 20.0 (Group 2)		20.0 and Over (Group 3)		All Associations	
	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans	No. of Loans	Amt. of Loans
				Expansion Loans				
Monthly	85.8%	88.2%	99.0%	99.6%	89.2%	84.6%	93.8%	93.7%
Quarterly	2.0	2.1	...	...	3.6	5.4	1.1	1.9
Semi-annually ..	2.0	2.6	...	...	3.6	6.7	1.1	2.4
Annually	...	...	...	...	3.6	3.3	0.7	1.0
Not indicated ..	10.2	7.1	1.0	0.4	...	...	3.3	1.0
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
				Repair Loans				
Monthly	91.6%	92.1%	100.0%	100.0%	100.0%	100.0%	97.0%	98.0%
Quarterly	8.4	7.9	...	...	...	...	3.0	2.0
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 12

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY USE OF LOANS AND DENOMINATION, JANUARY 1, 1946-JANUARY 1, 1952

Denomination	No. of Loans	Per Cent of Total Number	Amount of Loans	Per Cent of Total Amount
		Expansion Loans		
Baptist	57	32.0%	$1,055,837	30.0%
Methodist	15	8.4	415,253	11.8
Presbyterian	13	7.3	398,750	11.3
Episcopal	11	6.2	283,500	8.0
Church of Christ .	10	5.6	148,785	4.2
Assembly of God ..	10	5.6	56,200	1.6
Nazarene	9	5.0	93,975	2.6
Independent	8	4.5	105,325	2.9
Lutheran	5	2.8	194,000	5.5
Church of God	5	2.8	76,400	2.1
Other Protestant .	19	10.6	533,174	15.1
Not indicated	16	9.2	153,000	4.9
Totals	178	100.0	3,514,199	100.0
		Repair Loans		
Baptist	11	35.7%	$ 72,156	48.4%
Methodist	4	12.9	18,000	12.1
Presbyterian	4	12.9	18,000	12.1
Lutheran	4	12.9	14,000	9.4
Nazarene	2	6.4	9,852	6.6
Church of God	2	6.4	7,000	4.7
Other Protestant .	2	6.4	6,397	4.3
Not indicated	2	6.4	4,000	2.4
Totals	31	100.0	149,405	100.0

TABLE 13

CONTRACT TERMS AND PAYMENT RECORD FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNTIED STATES, CLASSIFIED BY USE OF LOANS AND DENOMINATION, JANUARY 1, 1946-JANUARY 1, 1952

Denomination	Contract Terms			Payment Record		
	Average Size of Loans	Average Interest Rates	Average Maturities	Prompt	Slow	Not Indicated
Expansion Loans						
Lutheran	$ 38,800	4.50%	12.80 yrs.	5	...	...
Presbyterian ...	30,673	5.00	9.58	13	...	...
Methodist	27,683	5.03	10.73	13	2	...
Episcopal	25,772	4.75	12.00	11	...	...
Baptist	18,523	5.09	10.37	54	2	1
Church of God ..	15,280	4.80	12.00	5	...	...
Church of Christ	14,878	5.61	10.00	10	...	...
Independent	13,168	5.12	11.12	8	...	...
Nazarene	10,441	5.22	9.55	6	3	...
Assembly of God	5,620	5.55	8.70	10	...	...
Other Protestant	28,061	5.10	11.22	19	...	...
Not indicated ..	9,562	5.68	11.79	14	...	2
Repair Loans						
Baptist	6,559	4.86%	9.27 yrs.	11	...	...
Nazarene	(4,926)*	(5.25)	(10.50)	2	...	...
Methodist	(4,500)	(4.62)	(8.75)	4	...	...
Presbyterian ...	(4,500)	(5.37)	(10.50)	4	...	...
Church of God ..	(3,500)	(5.50)	(10.00)	2	...	...
Lutheran	(3,500)	(5.00)	(7.50)	4	...	...
Other Protestant	(3,198)	(5.00)	(6.50)	2	...	...
Not indicated ..	(2,000)	(6.60)	(7.50)	2	...	...

*The parenthesis are used above to indicate averages based on less than 5 loans.

TABLE 14

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY AMOUNT OF LOANS AND ASSOCIATION LOCATION, JANUARY 1, 1946-JANUARY 1, 1952

Amount of Loans	Geographical Location			All Regions
	North	South	West	
	Number of Loans			
$ 5,000 or less	10	15	54	79
5,001 - 10,000	4	20	35	59
10,001 - 20,000	9	11	16	36
20,001 - 40,000	2	10	10	22
40,001 - 60,000	...	4	5	9
60,001 - 80,000	2	3	4	9
80,001 - 100,000	...	2	2	4
100,001 and over	...	2	2	4
Totals	27	67	128	222
	Amount of Loans			
$ 5,000 or less	$ 32,856	$ 48,140	$ 180,698	$ 261,694
5,001 - 10,000	38,500	146,025	293,100	456,125
10,001 - 20,000	125,900	168,000	236,600	552,000
20,001 - 40,000	65,000	302,000	273,585	640,585
40,001 - 60,000	...	202,000	252,500	454,500
60,001 - 80,000	145,000	225,000	290,000	660,000
80,001 - 100,000	...	200,000	190,000	390,000
100,001 and over	...	305,000	250,000	555,000
Totals	407,256	1,596,165	1,966,483	3,969,904

TABLE 15

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY CONTRACT TERMS AND ASSOCIATION LOCATION, JANUARY 1, 1946-JANUARY 1, 1952

	Geographical Location						All Regions	
	North		South		West			
	Loans Made		Loans Made		Loans Made		Loans Made	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Interest Rates (per cent)								
Under 3.0	..	$.......	..	$.........	...	$.........	...	$.........
3.0 - 3.9	..	....	..	....	1	25,000	1	25,000
4.0 - 4.9	6	92,300	40	1,175,700	25	948,600	71	2,216,600
5.0 - 5.9	14	136,756	14	340,310	60	707,359	88	1,184,425
6.0 - 6.9	..	....	9	60,655	35	247,849	44	308,504
7.0 & over	..	....	..	....	6	31,675	6	31,675
Not indicated	7	178,200	4	19,500	1	6,000	12	203,700
Totals	27	407,256	67	1,596,165	128	1,966,483	222	3,969,904
Maturities (years)								
Under 2	..	$.......	..	$.........	1	$ 9,500	1	$ 9,500
2 - 10	7	79,656	53	1,226,028	91	873,173	151	2,178,857
11 - 15	7	78,000	9	271,137	32	1,061,560	48	1,410,697
16 & over	6	71,400	2	82,000	3	14,250	11	167,650
Not indicated	7	178,200	3	17,000	1	8,000	11	203,200
Totals	27	407,256	67	1,596,165	128	1,966,483	222	3,696,904

TABLE 16

NUMBER AND AMOUNT OF LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY ASSOCIATION LOCATION AND DENOMINATION, JANUARY 1, 1946–JANUARY 1, 1952

Denomination	All Regions	Geographical Location		
		North	South	West
Number of Loans				
Baptist	63	5	29	34
Methodist	19	2	6	11
Presbyterian	13	2	11	5
Lutheran	15	6	2	7
Assembly of God ..	11	..	..	11
Episcopal	11	4	1	6
Nazarene	11	1	4	6
Church of Christ .	10	..	1	9
Independent	9	..	3	6
Church of God	7	..	4	3
Other Protestant .	25	2	5	13
Not indicated	18	5	1	12
Totals	222	27	67	128
Amount of Loans				
Baptist	$ 1,127,993	$ 77,656	$ 636,485	$ 413,852
Methodist	435,253	15,000	149,403	270,850
Presbyterian	486,750	75,000	384,000	27,750
Lutheran	362,000	121,000	44,000	197,000
Assembly of God ..	57,700	....	....	57,700
Episcopal	283,500	41,500	60,000	182,000
Nazarene	103,827	10,800	41,852	51,175
Church of Christ .	148,785	....	4,000	144,785
Independent	112,825	....	43,325	69,500
Church of God	83,400	....	71,000	12,400
Other Protestant .	612,871	26,800	159,600	426,471
Not indicated	157,000	41,500	2,500	113,000
Totals	$ 3,969,904	$ 407,256	$ 1,596,165	$ 1,966,483

TABLE 17

PERCENTAGE OF TOTAL CONSTRUCTION COST REQUIRED TO BE ON HAND OF CHURCHES FOR A SAMPLE OF CHURCH LOANS MADE BY 56 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

	Association Assets ($ millions)			
	Less Than 5.0 (Group 1)	5.0 to 20.0 (Group 2)	20.0 and Over (Group 3)	All Associations
	Should a Definite Percentage Be Required?			
No	3	2	0	5
Yes	18	11	1	30
Not indicated	14[a]	9	5	28
Totals	35	22	6	63
	Average and Range Percentages Required?			
Average	46.2%	44.7%	(60.0)%[b]	46.1%
Range	20 to 75	25 to 60	60.0	20 to 75

[a]One firm reported that the percentage depended on the amount of free labor, while another indicated that the percentage required would depend on the merits of each individual case.

[b]The parenthesis is used to indicate that this average was based on only one loan.

TABLE 18

SAMPLE OF 160 NO CHURCH-LOAN SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, JANUARY 1, 1946-JANUARY 1, 1952, CLASSIFIED BY SIZE OF ASSOCIATION ASSETS AND PERCENTAGE INCREASE IN POPULATION, 1940-1950

Item	Association Assets ($ millions)						All Associations	
	Less Than 5.0		5.0 to 20.0		20.0 and Over			
	Population Increase, 1940-1950[a]		Population Increase, 1940-1950[a]		Population Increase, 1940-1950[a]		Population Increase, 1940-1950[a]	
	Under 10%	Over 10%	Under 10%	Over 10%	Under 10%	Over 10%	Under 10%	Over 10%
No. of associations reporting no church loans	57	56	18	18	0	4	75[b]	79[b]
No. of associations reporting no church loans declined	35	30	8	5	0	2	38	37
No. of associations not indicating no. of church loans declined	14	20	8	9	0	2	22	32
No. of associations reporting church loans declined	8	6	2	4	0	0	10	10
No. of loans declined	24	12	4	17	0	0	28	29

[a] U. S. Bureau of the Census, Census of Population, 1950, Vol. I, Number of Inhabitants (Washington: Government Printing Office, 1952), pp. 2-7 to 50-10.

[b] These figures do not include six associations which were in places that were not incorporated in 1940. Although the population figures were given for 1950, the changes in population could not be ascertained because 1940 population figures were not given. Four of these six associations declined no church loan applications, while the other two did not indicate whether or not such applications had been declined.

TABLE 19

DISTRIBUTION OF FACTORS INFLUENCING ASSOCIATION DECISIONS TO MAKE CHURCH LOANS FOR A SAMPLE OF CHURCH LOANS MADE BY 63 SAVINGS AND LOAN ASSOCIATIONS IN THE UNITED STATES, CLASSIFIED BY SIZE OF ASSOCIATION ASSETS, JANUARY 1, 1946-JANUARY 1, 1952

Factor	Association Assets ($ millions)						All Associations	
	Less Than 5.0 (Group 1)		5.0 to 20.0 (Group 2)		20.0 and Over (Group 3)			
	Number of times factor was used		Number of times factor was used		Number of times factor was used		Number of times factor was used	
Character and capacity	43	38%	65	25%	33	34%	141	30%
Personal endorsement	10	9	17	7	2	2	29	6
Ratio: operating expenses to income	16	14	77	30	28	28	121	26
Property value .	40	35	96	38	36	36	172	37
Others	6	4	0	0	0	0	6	1
Totals	115	100	255	100	99	100	469	100
No. of loans indicating factors used	56		108		39		203	
No. of loans not indicating factors used	7		9		3		19	

TABLE 20

PERCENTAGE DISTRIBUTION OF 600 QUESTIONNAIRES SENT TO ASSOCIATIONS IN THE UNITED STATES FOR THE CHURCH LOAN EXPERIENCE SURVEY, CLASSIFIED BY STATES, JANUARY 1, 1946-JANUARY 1, 1952

State	Percentage of Total Church Membership[a]	Number of Questionnaires Sent to Each State[b]
Alabama	2.0%	12
Arizona	0.4	2
Arkansas	1.0	6
California	3.4	20
Colorado	0.6	4
Connecticut	2.0	12
Delaware	0.4	2
District of Columbia	0.6	4
Florida	1.2	8
Georgia	2.2	12
Idaho	0.4	2
Illinois	6.4	38
Iowa	2.0	12
Kansas	1.2	8
Kentucky	1.6	10
Louisiana	2.0	12
Maine	0.6	4
Maryland	1.4	8
Massachusetts	4.6	28
Michigan	3.2	20
Minnesota	2.4	14
Mississippi	1.4	8
Missouri	2.6	14
Montana	0.4	2
Nebraska	1.0	6
Nevada	0.2	2
New Hampshire	0.4	2
New Jersey	4.2	24
New Mexico	0.6	4
New York	12.8	76
North Carolina	2.8	16
North Dakota	0.6	4
Ohio	5.0	30
Oklahoma	1.0	6
Oregon	0.4	2
Pennsylvania	10.0	60

TABLE 20 Continued

State	Percentage of Total Church Membership[a]	Number of Questionnaires Sent to Each State[b]
Rhode Island	0.8%	4
South Carolina	1.4	8
South Dakota	0.6	4
Tennessee	1.6	10
Texas	4.2	24
Utah	0.8	4
Vermont	0.4	2
Virginia	2.0	12
Washington	0.6	4
West Virginia	1.0	4
Wisconsin	3.0	18
Wyoming	0.2	2
Totals	100.0	600[b]

[a]Estimates of church membership by states are for all denominations and are based on information contained in a personal letter from Benson Y. Landis, Editor, Yearbook of American Churches and Association Executive Director, Central Department of Research and Survey, National Council of the Churches of Christ in the United States of America.

[b]Some rounding of figures was made in this column in order to send an even number of questionnaires to each state.

Sampling Procedure

In this survey, 600 questionnaires were to be sent to savings and loan associations in the continental United States asking for their experiences with church loans from January 1, 1946, to January 1, 1952. The finite universe selected for the survey was composed of the estimated 5,940 savings and loan associations in the continental United States.[1] It was considered desirable to stratify the sample on the basis of both the size and geographical location of associations.

One-half of the questionnaires were to be sent to the small associations and the other half were to be sent to the large associations. Size stratification, on the basis of total association assets was accomplished by dividing the estimated 5,940 associations in the United States into two equal groups of 2,970 each. Inasmuch as the only available source for this information was the current directory of the membership of the United States Savings and Loan League, an actual count was used to determine that the asset figure of $1,500,000 was the approximate dividing line.[2] This directory included the names of 3,802 associations.

Geographical distribution was accomplished by apportioning the 600 questionnaires among the various states on the basis of each state's

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[1]Letter from John Urbanek, Managing Editor, Savings and Loans News, United States Savings and Loan League, September 13, 1952.

[2]United States Savings and Loan League, <u>1951-1952 Directory of Members and Board of Directors of the United Savings and Loan League</u> (Chicago: U. S. Savings and Loan League, 1952), pp. D 19 - D 158.

respective share of the total church membership of the United States for the year 1950 (Table 20, Appendix C). One-half of each state's share of the apportionment went to the small associations while the other half went to the large associations.

In order to secure a relatively true random sample of associations in each state, all firms in the directory were numbered by page and by the relative position of the firm on that page.[1] The associations were taken consecutively. Thus on page D 80, association number 2 would be designated as 802. A table of random numbers was used for selecting the number of associations which were to receive the questionnaires.[2] The list of random numbers was made sufficiently long to assure an adequate supply for both the small and large firms within each state.

Two hundred and twenty-three of the 600 associations, or 37.1 per cent, returned the questionnaires.

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[1] Ibid.

[2] W. A. Neiswanger, F. B. Haworth, and W. L. Leavitt, Laboratory Manual for Elementary Statistical Methods as Applied to Business and Economic Data (rev. ed., New York: The Macmillan Company, 1950).

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This dissertation was prepared under the direction of the chairman of the candidate's supervisory committee and has been approved by all members of the committee. It was submitted to the Dean of the College of Business Administration and to the Graduate Council and was approved as partial fulfilment of the requirements for the degree of Doctor of Philosophy.

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